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THE ACCELERATION OF PRIVATISATION IN TURKEY: Why in the last decade?

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Thesis submitted for the degree of PhD

2015

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Declaration for SOAS PhD thesis

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Abstract

The privatisation of state-owned enterprises (SOEs) has been on the policy agenda in Turkey since 1984. However, the momentum of privatisation gathered significant pace only after the 2001 crisis. This thesis has argued that the acceleration of privatisation in Turkey in the post-2001 crisis period can be understood with reference to the variegated neoliberalization experiment of Turkey without losing sight of the wider structural context of contemporary capitalism.

The variegated trajectory of post-2001 phase of neoliberalism in Turkey has generated two patterned effects that provided favourable context to the acceleration of privatisation. First, new domestic accumulation strategies that centred on the international competitiveness and greater integration with foreign capital finally made privatisation indispensable to the advocates of neoliberalism. Second, new concrete reproduction and profit imperatives – turning into international players (TUSIAD), achieving long-awaited expansion (MUSIAD, TOBB), avoiding politically vulnerable position within the power relations (AKP)- made privatisations a preferred option for different fractions of power bloc and the AKP government to institutionalize the conditions for their own prosperity. Within that particular context, different fractions of power bloc managed to establish contradictory unity towards privatisation under the leadership of TUSIAD-based holding groups and the representation capacity of the AKP to accelerate the privatisation process.

The privatisation was not a simple policy to implement. The united forces of power bloc and committed AKP government had confronted with alternative projects formulated by the opponents of privatisation including some progressive labour unions, statist bureaucrats inside state apparatus, and some sectoral capital groups enjoying comfortable relationships with SOEs. The forces of power bloc and the AKP had also undertook new institutional and legal reforms that institutionalized the social logic of privatization on the terrain of the state and supported state authorities' capacity to privatise.

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Table of Abbreviations

The acronyms listed below are typically the most commonly used in the thesis.

Abbreviation in use	Name in English	Name in Turkish
AKP	Justice and Development Party	Adalet ve Kalkinma Partisi
ANAP	Motherland Party	Anavatan Partisi
AP	Justice Party	Adalet Partisi
CHP	Republican People's Party	Cumhuriyet Halk Partisi
DP	Democratic Party	Demokrat Parti
DSP	Democratic Left Party	Demokratik Sol Parti
DYP	True Path Party	Dogru Yol Partisi
ERDEMIR	Eregli Iron and Steel Enterprise	Eregli Demir Celik Isletmesi
EMRA	Energy Market Regulatory Authority	Enerji Piyasasi Duzenleme Kurulu
EU	European Union	Avrupa Birligi
FDI	Foreign Direct Investment	Dogrudan Yabancı Yatirim
IFIs	International Financial Institutions	Uluslararası Finansal Kuruluslar
IMF	International Monetary Fund	Uluslararası Para Fonu
IRAs	Independent Regulatory Authorities	Bagimsiz Duzenleyici Kurumlar
ISI	Impost Substitution Industrialization	Ithal Ikameci Sanayilesme
ITC	Committee of Union and Progress	Ittihad ve Terakki Cemiyeti
KIGEM	Center for Development of Public Management	Kamu Isletmeciligini Gelistirme Merkezi
MUSIAD	Independent Industrialist Businessmen' Association	Mustakil Sanayicileri ve Isadamlari Dernegi
OECD	Organization for Economic Co-operation and Development	
OYAK	Turkish Armed Forces Pension Fund	Ordu Yardimlasma Kurumu
PA	Privatisation Authority	Ozellestirme Idaresi Baskanligi
PETROL-IS	Turkish Petroleum, Chemical, Rubber Workers Union	Turkiye Petrol Kimya Lastik Iscileri Sendikasi

PHC	Privatisation High Council	Ozellestirme Yuksek Kurulu
PPPs	Public-Private Partnerships	Kamu-Ozel Ortakliklari
PTC	Privatisation Tender Commission	Ozellestirme Ihale Komisyonu
PTT	State Postal, Telephone and Telegraph Administration	Posta, Telefon ve Telgraf Idaresi
RP	Welfare Party	Refah Partisi
SALs	Structural Adjustment Loans	
SHP	Social Democratic Populist Party	Sosyal Demokrat Halkci Parti
SMEs	Small and Medium Sized Enterprises	Kucuk ve Orta Buyuklukte Isletmeler
SOEs	State-Owned Enterprises	Kamu Iktisadi Tesebbusleri
SPO (DPT)	State Planning Organisation	Devlet Planlama Teskilati
TKKOI	Mass Housing and Public Participation Administration	Toplu Konut ve Kamu Ortakligi Idaresi
TOBB	Union of Chambers and Commodity Exchanges of Turkey	Turkiye Odalar ve Borsalar Birligi
TPAO	Turkish Petroleum Corporation	Turkiye Petrolleri Anonim Ortakligi
TSE	Transition to Strong Economy	Guclu Ekonomiye Gecis
TUPRAS	Turkish Petroleum Refineries Corporation	Turkiye Petrol Rafinerileri A.S.
TURK-IS	Confederation of Turkish Trade Unions	Turkiye Isçi Sendikaları Konfederasyonu
TUSIAD	Turkish Industrialist Businessmen's Association	Türk Sanayicileri ve İşadamları Derneği
TUSKON	Turkish Confederation of Businessmen and Industrialists	Türkiye İşadamları ve Sanayiciler Konfederasyonu
USAID	US Agency for International Development	Amerikan Uluslararası Kalkınma Ajansı
WB	World Bank	Dünya Bankası
YASED	International Investors Association of Turkey	Uluslararası Yatırımcılar Derneği

Chapter 1 -Introduction

After regular breaks, about-turns, hesitations and limited progress in the 1980s and 1990s, the privatisation of state-owned enterprises (SOEs) in Turkey has accelerated and made significant progress in the 2000s. This acceleration of privatisation in the 2000s should not be interpreted just as an externally imposed outcome by structural imperatives of contemporary capitalism and international financial institutions (IFIs), nor as a top-down outcome, which state and government elites imposed upon Turkish society. In this thesis, I will argue that the acceleration of the privatisation in Turkey in the 2000s has been the outcome of a domestically contested process reflecting the political actions of the individual and collective class agents to make privatisation the priority option within the variegated neoliberalisation experiment of Turkey. As such, the tendencies of privatisation are global, while the form and pace in which they are experienced in Turkey at different times is contingent on an array of class struggle, domestic accumulation imperatives and politico-institutional factors.

In the following section, I outline my motivation and objectives in carrying out this research and the original contributions of this thesis to academic understanding of the issues that it addresses. This demands first a brief discussion of the interpretations of ‘privatisation’ and its acceleration in Turkey that I will draw upon. In the second section, I present the research questions posed, arguments made and methodologies employed in this work.

1.1. Motivation, Objectives and Contribution

The motivation for this thesis came from my personal experience with and academic interest in privatisation as a contested issue for development. I was born and grew up in Cyprus, where everyone from workers of state enterprises to a man in the coffee shop had been enthusiastically discussing different dimensions of the issue of privatisation during the last ten years. I lived in the UK between 2008 and 2009 as an exchange student, while the UK government pumped billions of pounds of state resources into three failed private banks – RBS, Lloyds TSB, HBOS- in one of the UK’s biggest nationalisations. I was

educated in a Turkish university between 2005 and 2010, coinciding with the acceleration of privatisation in Turkey. In each instance, privatisation lay at the heart of public debates.

For a long time, and especially after the Second World War, economists of disparate political orientations and policymakers more or less have taken it for granted that SOEs were indispensable for economic and social development. Privatisation was little discussed by serious scholars. The turning point came when neoliberalism emerged from the collapse of post-war state-led capitalism as a market-oriented class project to restore the power and profitability of capital (Bayliss and Fine 2008, 13). Since then the privatisation of SOEs has been at the forefront of neoliberal structural adjustment policies and processes (Stiglitz 2008, ix). Globally, many state enterprises became targeted for potential privatisation, from productive industrial enterprises to public services and to the financial and banking system (Harvey 2007, 35-36). Both advanced and emerging countries led to march on privatisation that has included previously state enterprises covering steel, telecommunication, coal, electricity, gas, petroleum and banking (Fine 1997, 374). The aggregate global value of privatisation implementations between 1988 and 2014 was \$2.99 trillion (Privatisation Barometer 2013, 8).

The pattern and pace of privatisation, however, has tended to proceed unevenly according to specific country and particular types of state provision. There are differences between Turkey and Argentina, just as there are differences between electricity and water (Fine and Hall 2012, 65-66). The privatisation endeavour in Turkey between 1984 and 2000 remained limited to either small and medium-scale SOEs, or minority shares of large-scale SOEs, and generated only \$7.1 billion (Turel 2001, 190), while at the same time the privatisation proceeds reached significant amounts and pace in other relatively equal sized emerging economies including Brazil with \$40 billion, Argentina with \$23 billion and Mexico with \$20 billion (Guran 2011, 23). The Turkish privatisation process then gathered significant pace and generated just over \$57 billion revenue from 2001 to the end of 2014. The bulk of the shares of large-scale SOEs, including Tupras (\$4.14 billion), Petkim (\$2.05 billion), Turk

Telekom (\$6.55 billion) and Erdemir (\$2.77 billion), were sold by block sales to domestic and foreign investors (Privatisation Authority Website).

At the global scale, too, the pace of privatisation varied at different times. In the late 1980s and early 1990s, there were rapid privatisations in many areas. Yet, privatisation activity in many parts of the world slowed as the global 2008 financial crisis not only made widespread market failures apparent, but also reinvigorated the debate on state enterprises as a serious matter of development policy (Marois 2013, 4). Even the advanced capitalist countries bailed out failing private banks and nationalized several large-scale private enterprises (The Economist 2014).¹ Since the recovery from the crisis in early 2010s, a major new global privatisation wave was forming. According to the long-time academic advocate of privatisation, William Megginson, today privatisation is once again “alive and well” (Megginson 2013, 4).

Privatisation is, therefore, a critical issue for contemporary economic policies and development, although its implementation varies in any one time or location. According to this understanding of privatisation, the critical questions are why privatisation emerged rapidly and what dynamics make privatisation a favourable or unfavourable policy (thus accelerating or slowing the process) in any time or location –in my case, Turkey. From this perspective, the existing scholarship on privatisation exhibits three major weaknesses. First, the existing literature limits its focus to the potential benefits and disadvantages between state and private ownership, and makes relatively less academic inquiry into the acceleration of privatisation itself (See Boardman and Vining 1989; Megginson and Netter 2001; Parker and Saal 2003). Second, the literature over-relies upon the universal explanatory factors –whether expressed as the failure of state ownership and the activities of rent-seeking bureaucrats in mainstream accounts or imperatives of over accumulation and external imposition in critical accounts– that applied across different countries at different stages of development, and with different economic, political and ideological structures and agencies (See Shaker 1995; Okten and Arin 2006; Harvey 2003; Petras and Veltmeyer 2001). Third, those studies that pay attention to the specific complexity of Turkey mostly ascribed the acceleration of privatisation to the strengthening of the

¹ 11 January 2014

institutional framework, or state authorities that have been autonomous and capable of leading the process (See Onis 2011, Atiyas 2009).

In contrast to this, my objective is to assess how privatisation is accelerating in the specific complexity of Turkey without losing sight of the universal and structural dynamics of the world market. I will do this with reference to the interplay of class struggle, power relations and capital accumulation in Turkey, all of which underpin the formation of the institutional framework and state policy, and contest and shape the universal dynamics. This demands, first, an analytical framework of the acceleration of privatisation; second, an understanding of the impact of universal and external dynamics on that framework; third, rigorous investigation of the complex relationship between political strategies of class agents and the inner necessities of domestic accumulation strategies in Turkey; and fourth, the treatment of the Turkish state as a social relation. In support of the formulation of such theory, I employ an understanding of privatisation that sees it as integral to and constitutive of capital accumulation and institutionalized power relations historically specific to distinct national formations within the world market.

In this thesis, I make five contributions to the field. First, I formulated a Marxian-inspired analytical framework of the acceleration of privatisation that located the phenomenon within a process that captures both the generality of contemporary capitalism and the specific complexity of neoliberalism in Turkey. This will allow the understanding of how the universalizing and structural thrust of privatisation imperatives (and the pressures of IFIs) in the world market were contested and shaped by the specific complexity of Turkey. Second, I argue that, as a contested process, privatisation must receive the support of individual and collective capitalist class agents, which I have called Turkish *power bloc*, to be a priority policy option. The class fractions of the power bloc are not always demanding and supporting privatisation; the actions and priorities of the power bloc are mediated by the historically prevailing strategies of accumulation and social relations of power. Third, I suggest that Turkish state authorities do not simply act to privatize at the behest of capital; neither do they carry out privatisation independently from social forces. The actions of state authorities are shaped by the accumulation strategies, class relations, conflicts, and material

interests, although state authorities sometimes exhibit a constitutive role and resistance of their own. Fourth, in support of these arguments, I provide original empirical evidence relating to the Turkish privatisation process and three case studies, as well as on the set of conceptual categories above. The core of this empirical evidence is collected by the field research and newspaper review. Fifth, I gave a preliminary insight into the development of alternatives to privatisation and the enormity of such a task by using the findings of the thesis.

1.2. Research Questions, Arguments and Methodology

This thesis is organised in four parts. In the first part, comprising Chapter 2, I assess the literature and set out my Marxian-inspired analytical framework of the acceleration of the privatisation process in Turkey. In the second part, Chapter 3, I turn to the consolidation and expansion of capitalism in Turkey from 1838 to 1980 by giving special attention to the establishment of SOEs and state-capital-labor relations. This provides the necessary history for my interpretation of the privatisation process in Turkey. The third part, covering Chapters 4 to 7, progresses from the analysis of the general privatisation experiment of Turkey, to then account for the specific privatisation processes of three case studies – Erdemir, Tupras, Turk Telekom. In the fourth part, Chapter 8, I discuss the findings of the thesis, and link these findings to a discussion of alternatives to privatisation. Each of these parts addresses a particular set of research questions, constructs different arguments and employs a variety of methods. I turn to these now.

Literature and Analytical Framework

In Chapter 2, I elaborate on the different political economy interpretations of privatisation and detail the thesis' four categories of a Marxian-inspired analytical framework. I will provide a snapshot of this below.

The questions of why privatisation emerged rapidly and what dynamics accelerate or slow down the privatisation processes have remained largely underexplored or over-generalized in the mainstream debates about

privatisation. For liberal political economists, the pace of privatisation should be explained by universal explanatory factors. These universal factors include the disappointment with the economic performance of SOEs and rent-seeking politicians and state bureaucrats (Megginson and Netter 2001; Shaker 1995, 40; Okten and Arin 2006, 1542). Institutional political economists often counter liberal universalism by pointing to the importance of institutions and context. For example, Asha Gupta (2000), Izak Atiyas (2009) and Ziya Onis (2011) problematize the legal and institutional framework as one of the most effective factors for the acceleration of privatisation. Institutional accounts, however, tend to reveal other methodological and analytical issues. The most important analytical issue is seeing institutions as the final and formative factor that determines the success and pace of privatisation.

There is a need to move beyond institutions, without jettisoning them, to examine the underlying class struggle and nature of capitalist accumulation. Marxian approaches could potentially help us to do this. Yet, the number of Marxian studies on the acceleration of privatisation is few. Those existing studies tend to follow two dominant and complementary lines of research. These are: (1) over-accumulation, (2) top-down process of externally imposed privatisation. The first line of research is the over-accumulation that is developed by David Harvey. Over-accumulation is a condition where surpluses of capital lie idle, with few profitable outlets in sight (Harvey 2011, 28). In the neoliberal era, privatisation has emerged everywhere as a fundamental strategy of solving the chronic problem of over-accumulation (Harvey 2003, 139-156). Privatisation entails the release “at very low cost” of a set of assets formerly owned by the state that can be seized by private capital and used for profit (Harvey 2003, 149). The second line of research is the externally imposed account of privatisation developed by James Petras and Henry Veltmeyer. This account asserts that a range of international and foreign agencies (for example, the US, the EU, MNCs, IFIs) dictate and impose the time frame and scope of privatisation in developing countries that occupy subordinate positions within the hierarchy of states (Petras and Veltmeyer 2001, 8, 93-94).

Most critical assessments of privatisation within the Turkish literature were influenced by the above discussed two dominant lines of research. The

critical assessments in the Turkish literature applied the over-accumulation thesis and external imposition accounts to the analysis of the privatisation process in Turkey. As such, they tended to explain the acceleration of privatisation in Turkey in general-universal terms without developing a deep and specific understanding of the Turkish context.² One example is the works of Korkut Boratav and Izzettin Onder. Boratav and Onder interpreted the acceleration of the privatisation process in Turkey as an answer to the over-accumulation crisis and a response to the pressures of external actors such as the US, IMF and WB (TMMOB 2005, Boratav 1999; Boratav 2011, 197-206). The second example is the interpretations of Erinc Yeldan and Faruk Ataay, where the acceleration of the privatisation process in Turkey was regarded as an episode of income transfer (by the state) to national and international capital under the close supervision of the IMF (Yeldan 2005, 11, 30; Ataay 2003, 223).

These approaches provide two important insights. First, they explain why and how structural imperatives of capitalism and necessities of accumulation brought the privatisation policy to the fore. Second, they are capable of showing the role of external actors in the acceleration of privatisation processes. Yet, these approaches face some difficulties, especially if applied to distinct national formations and complexities in most emerging capitalisms. Neither approach is geared to address the question of why the privatisations of SOEs in Turkey is characterized by regular accelerations, decelerations, breaks, about-turns, hesitations and changes in direction that have been played out at different times and in uneven ways. These differences occur, despite the almost uninterrupted imperatives of over-accumulation and dictates of external actors.

Recognizing the explanatory limitations in the existing Marxian literature, this thesis seeks to provide a critical assessment and distinct analytical contribution. To that purpose, I formulated a Marxian-inspired analytical framework based around four categories: contemporary capitalism, the state, power bloc, and contemporary domestic accumulation strategies. This analytical framework pays greater attention to the conjunctural class characteristics and specific political nature of the privatisation policies in Turkey without losing

² Personal Interview with Izzettin Onder, Professor of Economics at Istanbul University, Istanbul Representative of KIGEM (Center for Development of Public Management), 5 February 2013

sight of the structural-universal factors. This analytical framework does not seek to treat the Turkish privatisation process as an externally forced outcome, by reducing it to the structural imperatives of contemporary capitalism and the dictates of the US-EU-IFIs. The structural imperatives of capitalism and interests of external actors are contested and shaped by specific power relations and the particular materiality and history of the state in Turkey. Special attention is given to the actions and struggles of fractions of the power bloc, how these actions are mediated by the domestic accumulation strategies, and how they shaped the state and its institutions.

Historical Background

Drawing upon the theoretical foundations that are established in Chapter 2, I provide the necessary history for Turkey's variegated neoliberalisation and privatisation experiment in Chapter 3. In this way, Chapter 3 puts Turkey's SOEs into a historical perspective of capitalist consolidation and expansion in Turkey prior to the 1980s.

I argue in Chapter 3 that advocates of capitalist development within the Turkish state and society actively struggled to shape the state and its institutions, depending on historically prevailing strategies of national development and social relations of power, to serve class hegemony and assist in the smooth expansion of capitalist relations. Three findings of the chapter deserve special emphasis here. First, state-owned enterprises (SOEs) were central to state-capital-labour relations. They appeared as the precondition of the development of capitalism in Turkey. Second, the relations between SOEs and social forces were internal and complementary rather than external and antagonistic. As such, SOEs assumed a great deal of responsibility for providing industrial inputs, infrastructure and investment capital to the Turkish bourgeoisie. SOEs also granted certain material demands to the popular masses (for example, employment opportunities, social security, agricultural credits). Third, the statist contention that the Turkish state elites were not responsive to the demands of the Turkish bourgeoisie does not seem to be true. This historical trajectory would influence the shape of neoliberal transformation and

privatisation experiment that would come about in Turkey in the 1980s. More specifically, the neoliberal privatisation efforts would have to face the challenge of transforming age-old dynamic, internal and important relations between SOEs and social forces, especially the power bloc.

Privatisation in Turkey: An Overview

Research into privatisation in Turkey that focuses on the domestic dynamics and the agency of domestic social forces is in its infancy. Initial examples have emphasized the linkages with the hegemonic struggles among different social forces (Sahin 2010), the political process involving multi-level conflicts and interventions that produce a particular perception of social reality (Angin and Bedirhanoglu 2012), as well as the political achievements of neoliberal advocates through privatisation with a special focus on bank privatisations (Marois 2012). In Chapters 4 to 7, I contribute to this literature by pursuing the argument that, what is unfolding in Turkey, is in fact a specific form and pace of privatisation within the wider structural context. To understand why privatisation has taken the form and pace it has taken in the Turkish context requires recourse to the analysis of three characteristics of the variegated neoliberalisation experiment of Turkey since 1980: shifting domestic accumulation strategies, the priorities and unity of the power bloc, and intra-state conflicts.

Before the detailed overview of Chapters 4 to 7 begins, I would like to explain why one should study the acceleration of the privatisation process specifically in Turkey. There are four reasons for focusing on Turkey. First, Turkey constitutes an emerging capitalism of global significance (Marois 2012, 4). The relevance of Turkey in the global economy and politics has increased significantly since 1980. Currently, Turkey is the sixth largest economy of Europe, was the second fastest growing economy of the world in 2011, and is a member of the G-20.³

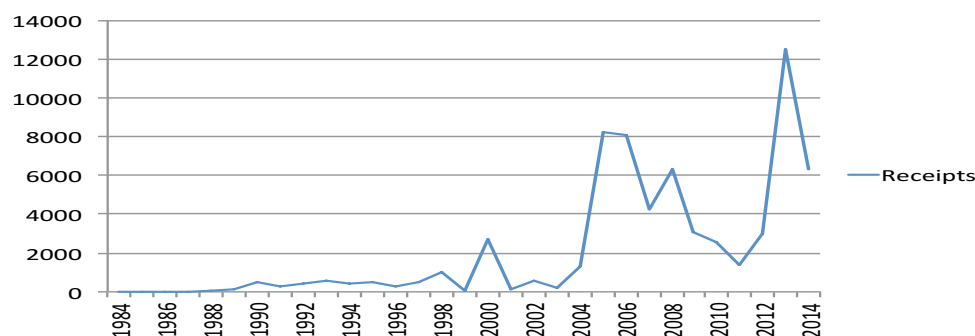
Second, the state-owned sector has been and continues to be indispensable to the functioning of the economy in Turkey. Since the early twentieth century SOEs have been built up as a concerted attempt to provide

³ Undersecretary of Treasury, www.treasury.gov.tr

infrastructural and other economic support to private capital and to secure jobs for working-class Turkish citizens (Savran 2002, 10). The state-owned sector accounted, on average, for nearly 15 per cent of GNP (Gross National Product), for more than 50 per cent of the total fixed capital formation and around 40 per cent of the total value added in the manufacturing industry during the course of the 1980s (Onis 1991, 164; Tecer 1992, 2; Patton 1992, 115). In comparison, at the time the state-owned sector only accounted for 10 per cent of GNP in the UK (Vickers and Yarrow 1988, 140). Likewise, the OECD report indicates that, in 2003, Turkey had one of the highest ratios of SOE asset value relative to GDP (Gross Domestic Product), in the same range with Italy, Sweden, France and Korea (OECD 2005, 18).

Third, Turkey constitutes an important case study for capturing and understanding the complex dynamics that influence the pattern, pace and scope of privatisation processes in a given society. While privatisation in Turkey remained slow and limited from 1984 to 2000, it significantly accelerated in the aftermath of 2001 (see Figure 1.1 below). In this way, Turkey provides a valuable research setting to explore what had changed, how these changes occurred and why.

Figure 1.1: Privatisation Receipts by Year: 1984-2014 (\$Million)



Source: Privatisation Authority Website

Fourth, the Turkish privatisation process has contemporary relevance and significance on the global scale. Turkey still continues to pursue an

aggressive, multi-year privatisation program. Turkey was the top non-EU privatizing country during 2013, after China, with reported total proceeds of \$12.40 billion (Privatization Barometer 2013, 6). In 2014, too, Turkey executed several auctions of infrastructure and other companies that raised a reported \$6.34 billion. The Privatization Barometer, which is the official provider of privatization data to the OECD and WB, counted Turkey as one of the five (Australia, Turkey, Greece, India and Pakistan) most distinctive privatisation programs in the world due to either aggregate size, scope, or both (Privatization Barometer 2013, 22).

I will now give an overview of Chapters 4 to 7. In chapter 4, I examine the privatisation process in Turkey. The particular attention is paid to the variegated character of the neoliberalisation process in Turkey and how the privatisation constituted an important strategy for individual and class agents within successive phases of the neoliberalisation process from the 1980s and 1990s to 2000s. Neoliberalism, as a project of recomposition of the hegemony of capital in all areas of social life, is characterized by such competitive imperatives as the internalization of capital, financialisation, market-disciplinary constraints upon state institutions, and new relations of exploitation between capital and labour (for example, flexibilisation and precariousness) (Saad-Filho 2008, 27; Albo 2005, 63-77; Albo 2009, 4). Those competitive imperatives give structural context to privatisation in general (Bayliss and Fine 2008, 14-17). But, as the variegated capitalism literature suggests, the neoliberalisation and privatisation processes in each society develop in an uneven and variegated way, depending on contextually specific patterns of accumulation and inherited politico-institutional arrangements (Brenner et al. 2010, 208; Peck et al. 2012, 269). In this way, the analysis of the acceleration of privatisation should capture the specific complexity of neoliberalism in Turkey.

Turkey has gone through two main phases in terms of the privatisation process: (1) between 1984 and 2000, (2) post-2001. I argue that the limited extent and slow pace of privatisation that did occur between 1984 and 2000, among other things, reflected the unwillingness of different fractions of the Turkish power bloc to make privatisation (even though they supported philosophy of the neoliberal experiment) the priority option within the

contextually specific and variegated neoliberalisation experiment in Turkey (Yalman 2009, 329). The fractions of the Turkish power bloc were unwilling to support the privatisation programme for a variety of reasons, including: (1) the fear that foreign capital would dominate the process (Onis 1991; Patton 1992), (2) a reluctance of big holdings to commit large-scale finance when other opportunities were available in financial markets (Gultekin-Karakas 2009), (3) the comfortable relationship that was enjoyed with the state enterprises when there was limited exposure to world market competitive imperatives (Aydin 2005, 49), (4) the conflicts between TUSIAD-based (Turkish Industrialist Businessmen's Association; *Türk Sanayicileri ve İşadamları Derneği*) holding groups and Anatolian capital (Oguz 2008).

In the aftermath of 2001, the privatisation process accelerated in Turkey because different fractions of the power bloc managed to establish contradictory unity towards privatisation under the leadership of TUSIAD-based holding groups and the representation capacity of the AKP (Justice and Development Party; *Adalet ve Kalkınma Partisi*). The variegated trajectory of the post-2001 phase of neoliberalism has generated three patterned effects that provided a favourable context to this contradictory unity. First, the TSE (Transition to Strong Economy) program and new domestic accumulation strategies that centered on international competitiveness provided a favourable context to the power bloc unity by making privatisation indispensable to the bourgeoisie as a whole (DPT 2001b, 120-121; TUSIAD 2002a, 7; TUSIAD 2003a). Second, the specific political context (for example, the existence of AKP, new concrete reproduction and profit imperatives) and class compromises made privatisation a preferred political strategy for different fractions of power bloc and the AKP government (Senalp 2012, 355-356; Angin and Bedirhanoglu 2012, 159-162; Ozturk 2010, 163-173). Third, the united forces of power bloc and the committed AKP government took a more radical turn in state restructuring that reduced intra-state conflicts and rendered the state apparatus conducive to privatisation (Oguz 2008; Onis 2011). This helped advocates of privatisation to defeat alternative projects or struggles of the opponents of privatisation.

In chapters 5 to 7, I examine three case studies to demonstrate and provide concrete details to the argument that the acceleration of privatisation

process in Turkey has been predominantly shaped by the interplay of shifting accumulation strategies, the actions of power bloc, and the state restructuring reforms. The case studies are Erdemir (Eregli Iron and Steel Enterprise; *Eregli Demir Celik Isletmeleri*), Tupras (Turkish Petroleum Refineries Corporation; *Turkiye Petrol Rafinerileri Anonim Sirketi*) and Turk Telekom (Turkish Telecom) as my case studies.

There are four reasons why I have chosen these three SOEs. First, they all operate within different sectors of the economy –iron and steel, petroleum refining and telecommunication. It is, therefore, possible to observe the privatisation process in Turkey within a wider range. Second, these SOEs are at the center of Turkey’s variegated form of neoliberalism. Erdemir is the largest iron and steel company in Turkey and was the only flat steel producer until 2009; Tupras is Turkey’s largest industrial enterprise in terms of sales revenue and value-added; Turk Telekom is the only fixed line telecommunication company in Turkey and controls the telecommunication infrastructure used by other service providers.⁴ In that sense, it is possible to better observe the involvement of the individual and collective class agents and how they shape the privatisation processes. Third, the privatisation of these SOEs enables us to observe the involvement of both domestic capital (Erdemir) and foreign capital (Turk Telekom), as well as domestic-foreign consortiums (Tupras). Fourth, each of these three privatisation cases involves different opponents resisting privatisation: domestic private iron-steel companies in the Erdemir case, the Petrol-Is union in the Tupras case, state bureaucrats and politicians in the Turk Telekom case. As a result, they enable me to observe the contested nature of privatisation.

In Chapter 5, I investigate the long and difficult privatisation process of Erdemir from 1987 to 2005. My focus is on the historically evolving inter-relationships and compromises between TUSIAD-based holding groups, domestic private iron-steel companies and foreign capital as well as the impact of shifting structural forces on these relationships. Because privatizing Erdemir was a potential danger to their institutionalized privileges and priorities, TUSIAD-based holding groups and domestic private iron and steel companies

⁴ See official websites of Erdemir, Tupras and Turk Telekom.

opposed Erdemir's privatization and its sale to foreign capital between 1987 and 2000. This was done through different ways: rejecting foreign buyers, and showing little interest in tenders. This changed after the 2001 crisis. Given the Turkish economy's orientation towards new capital accumulation strategies directed at increasing productive capacity, FDI and competitiveness for exports, the TUSIAD-based holding groups became supportive of privatisation and formed an unstable alliance with foreign capital to conclude the privatisation of Erdemir. Domestic private iron and steel companies refused to join this alliance and established a counter-strategy that centred around the nationality of potential buyers to prevent foreign capital purchasing Erdemir. The dominance of TUSIAD and the intervention of the AKP government in favour of TUSIAD were decisive in marginalising the counter-strategy of domestic private iron and steel companies and the completion of Erdemir privatisation in 2005.

In Chapter 6, I carry out a detailed examination of the privatisation process of Tupras. The privatisation of Tupras was completed in 2005 after three failed attempts in 1989, 1998 and 2003. The privatisation of Tupras in 2005 showed us, once again, that the power bloc is the key class agent behind privatisation. The transition of the fractions of the power bloc under the leadership of the TUSIAD-based holding groups, from being against privatisation to being supportive of it was of critical importance. Yet, the Tupras case also involved two specific factors. First, there was a class struggle between power bloc and Tupras workers (Petrol-Is union). As the analysis in chapter reveals, in 2003 the organised collective struggle of Petrol-Is succeeded in blocking the privatisation efforts of Tupras through a media campaign and legal actions. This suggests that privatisation is not simply a market-based process. Instead, privatisation is a class-contested process. Second, the Tupras case involved elements of the state's role vis-à-vis the power bloc and popular classes. On the one hand, the AKP government undertook new legal and institutional reforms that supported the power bloc's capacity to participate in the Tupras privatisation process. On the other hand, the government made new legal changes that disorganized the collective resistance of Petrol-Is. This shows that the state is an integral element of the privatisation process. The social forces

pushing for privatisation, or resisting against privatisation, must institutionalize their visions and interests in the state apparatus.

Finally, in Chapter 7, I analyse the contested privatisation process of Turk Telekom from 1993 to the mid-2000s. What we have seen in the Turk Telekom chapter is that the pressures of IFIs are not enough to conclude a privatisation, unless the domestic actors support it. The pressures of IFIs after 1994 and the 1999-2000 crises were of critical importance. These pressures pushed and facilitated the Turk Telekom privatisation. However, before these pressures can become institutionalized in the Turkish state and society, they are modified and contested domestically. As we have seen, despite the pressures of IFIs since 1994, the Turk Telekom privatisation could not be concluded until the key fractions of the power bloc and the AKP government provided active support in the mid-2000s.

Methodology

This theorization of the acceleration of the privatisation process in Turkey needs empirical substantiation. My methodology included (1) study of existing secondary resources (2) an extensive review of newspapers and primary documentation on privatization (like, official reports, etc) and (3) qualitative interviews.

First, I examined the existing secondary sources to understand how others have already thought about and researched the privatisation process in Turkey. The study of existing secondary sources provided foundation knowledge of the privatisation and the population under investigation. Yet the study of existing literature is not adequate on its own. This is because my research breaks new territory in three senses: (1) I focus more on specific dynamics and the internal actors of Turkey as opposed to the larger part of literature, which investigates the general dynamics of contemporary capitalism and external actors (2) I deploy a rarely used set of conceptual categories (for example, power bloc, domestic accumulation imperatives) (3) little academic research has been carried out on my case studies. This meant that there is a vital methodological need to move beyond the study of existing secondary sources.

Second, I did an extensive review of the coverage of newspapers and primary documentation on privatisation from 1984 to 2012.⁵ A total of 1938 articles from 7 newspapers were analyzed. The newspapers included centre-left and nationalist *Cumhuriyet*, populist *Milliyet*, conservative and moderate Islamic *Zaman* (owned by Fettullah Gulen movement and crystallized the interests of Anatolian capital), liberal *Radikal* (owned by Dogan Holding and mostly reflects the interests of TUSIAD-based capital groups), and left wing and critical *Bianet*, *Sendika.Org*, and *Birgun* (reflected the interests of labour unions and social activists). The primary documentation, on the other hand, included the policy reports of the business associations (for example, TUSIAD, MUSIAD, TOBB, ISO) and development plans of the State Planning Organisation.

How did I study these newspaper articles and reports? In light of the already completed study of existing secondary sources and initial read of a bunch of newspaper articles and reports, I created categories (themes, terms and units of analysis) that I want to look for in all of the newspaper articles and reports.⁶ I then went through all newspaper articles and reports, and coded them –put material into my categories. This contributed to my understanding of the overall research question and topic in three ways. It showed how privatization is viewed or discussed. It provided evidence on the shifting positions of fractions of power bloc and state authorities on the issue of privatisation. It also filled the information gaps within the literature especially in relation to the case studies.

Third, I conducted 37 face-to-face interviews with the key informant groups to develop more in-depth exploration of the topic.⁷ I was interested in understanding the perceptions of different people on privatization and learning how these people come to attach certain meanings to privatisation (Berg 2009, 110). I used purposive stakeholder sampling technique, which is useful in the context of evaluating policy analysis, with maximal variation approach for obtaining diversity in selecting sample. This technique involves identifying who the major stakeholders are who are involved in designing, influencing, shaping, or administering the privatization program, and who might otherwise be

⁵ See Annex 1 for the list of newspapers reviewed.

⁶ See Annex 2 for these categories.

⁷ See Annex 3 for the identity and details of the affiliation of the interviewees.

affected by it (Palys 2008, 697). As such, the degree and type of involvement into the privatization process are used as the criteria of selection of interviewees, chosen to reflect the diversity and breadth of the sample population. When developing a purposive stakeholder sample (i.e. determining involvement and diversity), I benefited from some advance knowledge of the population under investigation, which I already acquired through literature review and newspaper review, to select subjects who represent this population (Berg 2009, 50-51). The interviewees fall in one of the categories below:

- Policy Implementer: Politicians and Bureaucrats (14 interviewees)
- Policy Shaper A: Capitalists and Business Associations (10 interviewees)
- Policy Shaper B: Labour Unions and Social Activists (13 interviewees)

The interviews that I conducted with the politicians and bureaucrats provided some valuable information about how privatisation was a heavily contested issue inside state apparatuses, and how the process of institutional restructuring transformed the state's institutional materiality conducive to privatisation. The interviews that I carried out with business associations and capitalists helped give a deeper understanding of how the power bloc perceived privatisation during the pre- and post-2001 period, and why the power bloc shifted to become supportive of privatisation in the latter period. The interviews that I conducted with the labour unions and social activists captured the arguments and activities against privatisation.

While conducting interviews, I followed semi-standardized interview structure because interviewees come from three different groups with varying worldviews and educational and social backgrounds. The flexibility of the semi-standardized interview (compared to rigidity of structured interview) allowed me to ask a series of regularly structured questions while potentially adding or deleting some probes to interview between subsequent subjects and reordering questions during the interview, permitting comparisons across interviews, and to pursue areas spontaneously initiated by the interviewee. This resulted in a much more textured set of accounts from participants than had only scheduled and rigid questions been asked (Berg 2009, 108-109).

In brief, the overall methodological approach applied has some relative merits. Most importantly, the methodological process combines the existing secondary sources with the new evidence collected through interviews and newspaper review. Next, the way that I used to collect new evidence involves different data collection techniques –interviews, newspaper review, and primary documentation. This meant that findings are based on objective, systemic analysis where results of one technique (for example, newspaper review) can be verified or falsified by additional evidence (for example, interviews). Furthermore, interviewing provides one of the best useful means of access when investigators are interested in understanding the perceptions of people on privatisation or learning how people came to support (or resist) privatisation. Other methods such as questionnaires lack the flexibility that is required to capture the subtle reasons behind being a supporter (or opponent) of privatisation (Berg 2009, 110).

Chapter 2 -Interpretations of Privatisation

This chapter elaborates on the different political economy interpretations of privatisation introduced earlier and details the thesis' four categories of a Marxian-inspired analytical framework. I argue that a Marxian-inspired analytical framework yields unique and important insights into the interpretation of privatisation and its acceleration in Turkey that are unavailable in others. First, it captures both generality of historical change and specific dynamics of Turkey simultaneously. Second, it shows that market forces are not always demanding privatisation; their actions towards privatisation are modified and shaped by class struggle and capital accumulation strategies. Third, it demonstrates that state authorities are neither simply acts to privatize at the behest of capital nor do they resist privatisation independently from social forces to protect their own privileges or public interest.

I argue this by first exploring the neoclassical and liberal political economy scholars' universal market-oriented interpretations of privatisation. Next, I discuss contributions of institutionalist and Keynesian political economy approaches to privatisation and how they provide more historically detailed and case study oriented research concerned with extra-market coordination, institutional capacity and contextual conditions. Then, I show a distinct potential of Marxist political economy to move beyond technical policy assessments and interpret privatisation within the historically prevailing strategies of development, associated structural accumulation imperatives and class struggle. I also show why and how this potential of Marxian theory has not been completely used yet. This review of different approaches intends to situate my underlying Marxian-inspired analytical framework, which I set out in the final section. Here I introduce my underlying Marxian-inspired categories –namely, that contemporary capitalism is the structural context for privatisation processes, that the state is an integral element of privatisation, that a power bloc is the key class agent behind privatisation, and that privatisation is a constitutive element of contemporary domestic accumulation strategies.

2.1. Neoclassical and Liberal Political Economy Approaches to Privatisation

The neoclassical and liberal orthodoxy is built around a core belief that rational individuals respond best to market incentives and that market-based arrangements are inherently more efficient and more transparent than traditional public sector arrangements (Hodge 2000, 35-46). According to this approach, contrary to the inherent rationality of the market, the state is innately and universally irrational because it reflects some particular interests. It is this understanding that informs privatisation strategies as a way towards improving efficiency, preserving individual freedom and unloading unsustainable state assets. In this way, privatisation is defined as a technical and necessary process of transferring state ownership from the state to the private sector (Megginson and Netter 2001; Friedman 2002, 15).

Neoclassical and liberal political economists have argued that privatisation occurs because states fail: state officials are rent-seeking, and SOEs provide low economic performance (Megginson and Netter 2001). Privatisation is seen as a rational and pro-poor policy choice, which is obvious to anyone willing to look at the track record of state versus private sector delivery (Shleifer and Vishny 1998). To support these theoretical claims with empirical research, researchers feed data on dozens of countries and thousands of state enterprises (SOEs) into large-scale regression models to identify positive gains in the performance of privatised firms (see Boardman and Vining 1989; Chong and De-Silanes 2003; Boubakri et.al. 2008).

Although there is a theoretical and empirical rationale for privatisation, rent-seeking politicians and lack of government commitment prevent privatisation from accelerating. Neoclassical and liberal scholars assert that state ownership enables government officials and state managers to use state enterprises to their own ends, and any strategy for privatisation must include strategies to deal with the resistance of these groups, whose interests may be harmed if privatisation is successful (Lindbeck 2006, 11, 53; Shirley 1999, 129-130; USAID 1986, 10-11; Boubakri et. al 2008).

2.1.1. The Synthesis of Property Rights, Public Choice and Austrian Economics

The neoclassical and liberal political economy approaches to privatisation are reached by the different and complementary lines of argument followed by property rights theory, public choice theory and Austrian economics. The agent-principal situation of property rights theory is a useful starting point. The basic theoretical premise of property rights theory is that the form of ownership makes a difference in efficiency and productivity purposes, and that private ownership is superior in the first and last instances (Alchian and Demsetz 1972; Crew and Parker 2008). The superiority of private ownership has been attributed to the fact that managers (agent) in the private sector face constant pressure from a competitive capital market (principal), where ownership is transferable and rights to profit are clearly defined, in order to achieve better economic performance and maximise profits. By contrast, state managers (agent) have inferior incentives to allocate resources efficiently because taxpayer owners (principal) of state enterprises have low incentives to monitor the behaviour of state managers (Furubotn and Pejovich 1972; Tittenbrun 1996). According to this view, state managers and politicians tend to shirk their responsibilities or engage in behaviour (e.g. overemployment) that is inconsistent with maximising the present value of the state-owned enterprises (Alchian and Demsetz 1972). Property rights theory thus concludes that privatisation itself makes a difference because transferring ownership from the state to private sector activates private property rights that would create incentives to promote efficient behaviours (Hanke 1987, 49; Kikeri et al. 1992, 1). This provides the ultimate rationale for privatisation based on the efficient organisation of economic activity in every society both historic and contemporary.

The second element of the synthesis involves public choice theory. The theory problematises the relationship between economics and politics. It then argues that expected efficiency gains stemming from state intervention (for example, establishment of SOEs) to remedy market failures cause inefficient practices. This is because, rather than pursuing public interest and remedying market failures, politicians and bureaucrats tend to pursue their own interests

even when these interests clearly conflict with the public interest (Krueger 1990; Buchanan 1975, 1999; Tullock 1965). This leads to the emergence of powerful interest groups within the state and state enterprises that paves the ground for irrational and rent-seeking practices (Krueger 1993, 54; Peacock 1984). On account of this, privatisation is presented as the solution to saving the state from interest groups and ending rent-seeking practices of politicians and bureaucrats over SOEs (Buchanan 1975, 158; Tittenbrun 1996, 58-59). In the view of Shleifer and Vishny, while SOEs are inefficient because they address the objectives of politicians rather than maximise efficiency, privatisation works because it controls political discretion and isolates SOEs from future government intervention (1998, 6-7, 150). In a similar way, Boycko, Shleifer and Vishny assert that privatisation fosters depoliticisation because it removes politicians' control over firms. When firms are subject to political influence, they cater to politicians by producing goods that consumers do not want, employing too many people, and delivering output below costs to buyers favoured by politicians (1996, 11).

The public choice theorists are aware of the fact that privatisation is not an easy task to complete. The interplay of such incentives has created a series of entitlements upon which coalitions of interests against privatisation are formed (Barry 1987, 118; Olson 1971, 177; Waterbury 1989). A critical part of any privatisation strategy requires a plan to create new set of incentives for rational individuals to engage in action and mobilize coalitions in favour of privatisation (Hanke 1987, 3-4; Letwin 1988, 63-72). If coalitions of interests for privatisation remain small, privatisation processes are not easily accelerated (Berg 1987, 27). In this regard, government budget constraints are treated as an important factor to strengthening coalitions in favour of privatisation. For example, politicians and bureaucrats turn to become supporters of privatisation when the government budget constraints no longer enable them to obtain political benefits from SOEs (Shleifer and Vishny 1998, 16; Boubakri et al. 2008, 280). Ravi Ramamurti's large-scale regression study of privatisation in specific developing countries supports this argument by concluding that privatisation is more likely to be pursued by countries with high budget deficits and high foreign debts (1992, 227).

The third group of the synthesis is the Austrian economics. In contrast to neoclassical theory, which explains social actions as deliberate design, Austrian economics lay stress on their spontaneity and unpredictability (Grassl and Smith 1986; Tittenbrun 1996, 76-78). This view of social actions empowers Austrian economics to contribute the synthesis in two unique ways. On the one hand, Austrian economics shows that SOEs restrict a self-regulating market that is characterised by spontaneity and uncertainty by limiting freedom of entry, risk taking and entrepreneurial alertness (Tittenbrun 1996, 82). This leads to the conclusion that SOEs impair what is called adaptive efficiency, which is distinct from the allocative efficiency of neoclassical theory. Privatisation reduces greatly the range of issues that must be decided through political means and, thereby, minimises the extent to which the state needs to participate directly in the market dynamics and impairs adaptive efficiency (Friedman 2002, 15). On the other hand, Austrian economics demonstrate that, once the state controls a certain proportion of economic activities, it begins (sometimes deliberately and sometimes unintentionally) to politically dominate the whole system and restrict individual freedoms (Hayek 2001, 60, 64). According to this approach, privatisation reduces the source of political domination on individuals by removing the control of SOEs from the control of political authority (Hayek 2001, 108; Friedman 2002, 15). In short, Austrian economics' justification for privatisation emanates from an understanding that state intervention should be minimised, because excess intervention leads to the restriction of inherently self-regulating market and individual freedom.

2.1.2. Neoclassical and Liberal Political Economy in the Context of Turkey

Neoclassical and liberal political economy approaches to privatisation in the context of Turkey follow similar precepts with the above synthesis. Neoclassical and liberal political economy analyses describe the Turkish SOE sector as being unable to deliver much in terms of efficiency and productivity due to poor management, overstaffing and high politicisation (Bayraktutan 2003, 132; Tecer 1992, 3-4; Aktan 2008, 124). In that regard, Suleyman Ozmucur made a comparative analysis of productivity and financial performance of public and

private enterprises in 500 of the largest industrial firms in Turkey. The author's study shows that labour and capital productivity are, respectively, 65 and 83 per cent higher in private enterprises than corresponding levels in public enterprises over the 1982-94 period (2001, 253-273). In another study, Cagla Okten and Perin Arin find that ownership effects emanating from privatisation are sufficient to achieve improvements in labour productivity and prices (2006, 1537-1538). Having empirically established that there are correlations between type of ownership and economic outcomes, the preferred policy solution for privatisation advocates and conventional economists in Turkey emerged as the complete privatisation of SOEs.

Neoclassical and liberal researchers claim that the Turkish privatisation programme has proceeded more slowly than expected throughout the 1980s and 1990s. They identified three important reasons to explain why privatisation remained slower in Turkey. The first reason is the rent-seeking activities of politicians and bureaucrats within the Turkish state (see Shaker 1995, 40; Okten and Arin 2006, 1542; Ficici 2001, 6). For example, Aysun Ficici argues that certain ministries and politicians that run SOEs have, for a long time, been opponents of privatisation due to control and employment issues (2001, 5). The second and related obstacle is the lack of government commitment to privatisation. Sven Kjellstrom (1990) and Kemal Bayraktutan (2003) assert that SOE privatisation has not made much headway mainly because Turkish governments have been reluctant to adopt and pursue an effective privatisation programme. The third obstacle is the impact of worsening macroeconomic conditions that was prevalent in the early privatisation efforts of Turkey. Mehmet Bilgic (1987), Meral Tecer (1992) and the Privatisation Authority (2010) claim that low national income and domestic savings levels, the relatively small capital market and high inflation were the main reasons for poor records in privatisation in Turkey. Under these conditions, people chose to use their savings for unproductive investments such as gold and real estate, rather than buying shares of SOEs.

Viewed in their own terms, neoclassical and liberal political economy approaches to privatisation appear compelling. However, there are three problems in the construction of argumentation: individualism, universalism and

state vs. market paradigm. First, neoclassical and liberal approaches idealize the role of individual self-interest as an effective factor to explain outcomes such as limited privatisation. They fail to recognise that individual actions are not only determined by utility maximisation, but also conditioned by social circumstances, power inequalities and social classes (Tittenbrun 1996). Second, neoclassical and liberal methodology ends up identifying individuals and the states as 'things', whose behaviour towards SOEs and privatisation can be observed and described with universal laws which hold true for all times and places (Yalman 2009, 40-42). The following proposition universally applies to all times and countries: state ownership enables government officials to use enterprises to their own ends (and they must resist privatisation), and SOEs are less efficient than their private counterparts. In this approach, any historical changes or contextual specificity in capitalist accumulation strategies and the state are analytically firewalled (Marois 2012, 21).

Third, the state and market are presented as two social organizations that oppose each other in different ways. This produces dichotomous state/market distinctions that are not necessarily valid: inefficiency of the state vs. efficiency of market, particularistic state vs. universalistic market, rent-seeking state authorities vs. perfect market forces. For example, what has been described as rent-seeking activity of state authorities by neoclassical and liberal studies actually corresponds with the necessities of market. Rather than seeking individual gain alone, state authorities used SOEs to complement market dynamics by providing support to many different sectors, including agriculture, construction, energy and manufacturing (Yalman 2009, 169-172). In this light, making comparisons between economic performance of private and state enterprises, without taking into account that the latter are mandated to provide support (which are not driven exclusively by profit and efficiency imperatives) to capitalist markets, constitutes one of the major problems of neoclassical and liberal political economy approaches to privatisation (Marois 2013, 10-11). Equally, it was not valid to put all the blame on the state and politicians for limited privatisation by ignoring the fact that the behavior of state and politicians towards privatisation are shaped by the market dynamics and the nature of capitalist accumulation.

2.2. Institutional and Keynesian Political Economy Approaches to Privatisation

Institutionalist and Keynesian political economy literature offers more historically detailed and case study oriented research that is critical of universal, individualist and market-oriented views of privatisation. This literature puts greater emphasis on context, institutions and extra-market coordination (See Kaldor 1980; Yarrow 1989; Gupta 2000; Bortolotti and Perotti 2007). Contrary to neoclassical interpretations that take privatisation as an end in itself, institutionalist and Keynesian scholars tend to argue that privatisation can lead to economic and social gains in settings with stable macroeconomic and political contexts, and strong regulatory and institutional frameworks (See Vickers and Yarrow 1988, 3; Parker and Saal 2003, 3). There is also greater emphasis on the need for state ownership and SOEs as part of extra-market coordination (Gupta 2000, 47; Weizsacker et al. 2005, 9).

These qualities are founded on three key premises. First, institutionalist and Keynesian scholars emphasise that institutions and contextual conditions have constitutive effects on individual actions as well as the implementation of economic policies (Veblen 1957, 103, 213; Shonfield 1965, 63; Gupta 2000, preface). As Ziya Onis argues, the success and pace of privatisation is anchored in historically, institutionally and contextually specific circumstances, rather than ahistorical and individually oriented terms (2011, 708).

Second, institutionalist and Keynesian interpretations challenge market fetishism. These interpretations are critical and suspicious of market processes (See Weizsacker et al. 2005). This goes back to the basic principle of post-war state-led development projects: to break through the barriers of stagnation in a backward country or to ensure a stable democratic society in an advanced country, a stronger medicine is needed than the promise of better allocation of resources by capitalist markets (Gerschenkron 1962, 24). Drawing from Polanyi, institutionalists and Keynesians argue that capitalist markets sometimes generate deficiencies (for example, social distributive justice, ethical fragmentation) that could not be remedied by their own mechanisms (Polanyi 2002; Dale 2010, 2-5). Inspired from Keynes, institutionalists and Keynesians

claim that capitalist markets are relatively volatile and unstable because they are characterised by a systemic deficiency of aggregate demand and unemployment (Shonfield 1965; Crabtree and Thirlwall 1993, 43). These views on capitalist markets provide both a sociological and economic rationale for state ownership of resources and state economic activity in order to provide extra-market coordination through boosting public expenditure and establishing SOEs.

Third, institutionalist and Keynesian understanding of the state, under Weberian influence, proposes that state elites and bureaucrats are able to act in the general interest (Whimster 2004, 245-249; Clarke and Pitelis 1993, 1; Evans et al. 1985, 9). For example, Stephen Martin and David Parker's study of the public services shows that politicians and public servants can pursue public interests, at least some of the time (1997, 401). This is in contrast with the neoclassical and liberal political economy, which makes the point that SOE failure is the norm as elites and bureaucrats are inevitably corrupted (Feigenbaum 1997, 348-349).

2.2.1. Differences within Institutional and Keynesian Interpretations of Privatisation

There are differences within institutionalist and Keynesian interpretations of privatisation. Scholars working within more classic premises of institutionalism and Keynesianism, as explained above, tend to advocate a balance between the state and private ownership, between economic efficiency and social development (See Weizsacker et al. 2005; Gupta 2000; Parker and Saal 2003; Rowthorn and Chang 1993). Classical institutionalism-inspired scholars argue that the greatest challenge today is not to make a choice between state and private ownership. Rather, the central issue is how countries effectively regulate a large number of possible institutional variations along the state-private continuum conducive to enhancing both economic efficiency and social development (Weizsacker et al. 2005, 3-7, 359-360). However, the revised institutionalism in a neoliberal era (as per Managerial Perspective and NIE approaches) puts greater emphasis on the need for private ownership and privatisation. The revised institutionalism is also more concerned with efficiency objectives rather than social development.

The managerial perspective includes scholars such as George Yarrow, John Vickers, Paul Cook and Colin Kirkpatrick. Contrary to classical premises of institutionalism and Keynesianism showing serious concerns about social indicators, the managerial perspective measures the success of enterprises (private or state) based on the marketised and static notion of efficiency (i.e. defined in narrow financial terms) without considering whether efficiency gains undermine other potentially positive outcomes (e.g. equity, affordability, jobs, wages, safety) (See Cook and Kirkpatrick 1988, 115; Vickers and Yarrow 1988, 151). This would influence managerial perspective scholars to develop a tendency towards favouring privatisation over state ownership, albeit with one precondition: the accompanying competitive and regulatory environment must not be unfavourable. For these scholars although privatisation matters, the efficiency implications of privatisation depend very much upon wider competitive and regulatory environments in which a given firm operates (Yarrow 1989, 341; Cook and Kirkpatrick 2000). Uncompetitive market conditions and weak regulations are likely to undermine the potential efficiency gains to be made from privatisation (Yarrow 1999, 158; Cook 2002, 541). If the market is not competitive and regulatory arrangements are weak, it might be better to make substantial reforms in the control system of state enterprises instead of privatizing them. These reforms include making arrangements to sustain an arm's length relationship between ministers and managements, introducing greater competitive pressures to improve incentives for internal efficiency, and creating specialised regulatory agencies to monitor the behaviours of state managers (Vickers and Yarrow 1988, 151; Yarrow 1999: pg. 158).

The NIE (New Institutional Economics) goes furthest from classical premises of institutionalist and Keynesian interpretations of privatisation. The NIE's view of privatisation could be considered as a combination of some aspects of institutionalism with neoclassical theory (Ankarloo 2002, 10-11). On the one hand, NIE retained two principles of institutionalism, in that institutions affect the performance of economies and that the most important state institutions have a role to play in encouraging development (at least to enforce private property rights and transaction costs) (North 1981, 21; North 1990, 3). On the

other hand, NIE internalised the neoclassical notion that private ownership is superior to state ownership. In that regard, privatisation and the private sector becomes the driving imperative and goal of NIE as it does not seriously question whether public provision is preferable (Bayliss and Fine 2008). NIE scholars Bernardo Bortolotti and Enrico Perotti argue that state ownership should remain an extreme solution, and should not be advisable except in the presence of such market failures as externalities and market or monopoly power (2007, 56-57). Similarly, David Sappington and Joseph Stiglitz support the case for state ownership only when information, contracting and bargaining costs limit the government's ability to regulate by ex-ante design (1987, 567-569).

2.2.2. Institutional and Keynesian Inspired Literature on Turkey's Privatisation Process

The institutionalist and Keynesian inspired interpretations of privatisation is the dominant literature in Turkey. The focus of institutionalist and Keynesian inspired literature in Turkey is concentrated on two questions: what determines the performance of Turkish SOEs and what explains the changing pace of privatisation process in Turkey. Institutional and Keynesian scholars are dealt within these questions with a more historically detailed perspective concerned with contextual variables and institutional framework.

To analyse SOE performance, Cevat Karatas (2001) carried out a comprehensive sector-specific research on various aspects of SOE performance, while Merih Celasun (2001) did a broad evaluation of Turkey's non-financial SOE sector. Contrary to neoclassical and liberal political economy literature that refuses to contextualize the measurement of performance, both Karatas and Celasun measured SOE performance against the background of major shifts in macroeconomic policies and institutional framework. The key conclusion of both studies is that there are strong links between the aggregate economic performances of Turkish SOEs and the government's policy mix at the economy-wide level as well as competitive and regulatory environment. Therefore, the observed operational inefficiencies of SOEs should not totally be attributed to the nature of state ownership and rent-seeking activities of state officials (Karatas and Ercan 2008, 378; Celasun and Arslan 2001, 248).

In the debates about the variables that affect the pace of privatisation, there is an agreement within institutionalist and Keynesian-inspired literature that the political, institutional and economic contexts and their mutual interactions are crucial in explaining the pace of Turkish privatisation process (Onis 1996; Ercan and Onis 2001; Atiyas 2009). This explanation is different from the neoclassical and liberal political economy approaches that idealize the role of individual self-interest (of bureaucrats, politicians) as the universal factor in explaining the pace of privatisation anywhere in the world.

According to Izak Atiyas, the legal and institutional frameworks are important for the success and pace of privatisation (2009, 101). Atiyas claims that privatisation has remained limited in Turkey during the 1980s and 1990s because governments of the time, which frequently committed to privatisation, attempted to carry out privatisation without establishing regulatory framework and making constitutional amendments (Atiyas 2009, 102-103; Ertuna 1998, 15). Ziya Onis focuses on the changing relative power and discourses of what he calls the pro- and anti-privatisation coalitions, problematizing the legal and institutional context within which the privatisation process has taken place in Turkey (2011, 707). Onis argues that pro-privatisation coalition is strengthened in Turkey when strong institutional frameworks (e.g. regulatory authorities, FDI law) and favourable contextual conditions (e.g. majority government with strong commitment to privatisation) emerged in the post-2001 period (Onis 2011, 722). Mehmet Cahit Guran emphasizes the importance of the economic context, such as poor macroeconomic conditions (low level of savings, high inflation and unstable economic growth) for slow progress in privatisation in the 1980s and 1990s. He asserts that privatisation of SOEs was difficult in this environment of high economic instability and uncertainty (2011, 39-41).

The above discussed institutionalist and Keynesian-inspired scholars also explain the slow pace of privatisation in Turkey in the 1980s and 1990s with strong state tradition. The strong state tradition is founded on the Weberian understanding of the state that (i) the Turkish state is historically (since Ottoman times) highly centralized and has supreme authority over society (father state), and (ii) the state bureaucracy is capable of guiding private businesses and formulating distinctive development strategies in pursuit of national-public

interests (See Mardin 1973; Heper 1985; Keyder 1987; Bugra 1996; Onis 1996). In light of this, institutionalists identified statist segments of Turkish bureaucracy as the major opponent of the privatisation programme, saying: “resistance to privatisation was particularly strong among statist bureaucrats” (Onis 2011, 719; Onis 2001, 119; Guran 2011, 45). According to institutionalists, the statist bureaucrats opposed privatisation not because they were trying to maximize personal interest and maintain political rents, but rather due to the fact that they treated SOEs as basic instruments of national economic development and public interest (Onis 1991, 164; Guran 2011, 45). For example, in the case of Petkim and Tüpraş privatisations, strong and centralized state bureaucracy acted as the guardian of national-public interest and prevented foreign investors from taking over such important and critical SOEs (Onis 1991, 164).

The institutionalist and Keynesian approaches to privatisation outlined above counter liberal individualism, market fetishism and universalism by pointing to the importance of institutions, extra-market coordination and contextual-specific conditions. However, institutionalist and Keynesian approaches tend to reveal other methodological and analytical issues. Three of these issues are especially significant. First, structural constraints to capitalist development are often left unexplored. Institutional and Keynesian analyses fail to explain why and how the preferred policies –e.g. privatisation– interact with the process of accumulation, both at a national and global scale, and how their interaction has released forces that would render state ownership itself obsolete (Saad-Filho 2008, 342). Second, institutions are often seen as the final and formative context. Institutional political economists problematize the institutional framework as an important determinant of the success and pace of privatisation. But there is a need to move beyond institutions, without jettisoning them, to understand the class struggle and the power relations underpinning the formation of these institutions (Greenfield 2005, 178; Marois 2006, 8). Third, the state is conceived as disembedded (formally autonomous) from society and market forces. As such, state bureaucrats could rise above the sectional interests in order to implement policies (for example, managing SOEs, resisting privatisation) that are both more national economy-oriented and more

in tune with the public interest. This proposition is problematic. The class relations, conflicts and material interests of market forces are inscribed in the state and the institutions comprised within it (Poulantzas 1978, 125; Saad-Filho 2008, 342). This suggests that there is room in the literature for more historical-structural Marxian interpretations.

2.3. Marxian Interpretations of Privatisation

Marxian approaches critically interpret privatisation within the historically prevailing strategies of development, associated structural accumulation imperatives and class struggle (Marois 2012, 102). I set out a more general character of Marxism in order to set the context for Marxian privatisation debates.

Marxist political economy offers an integrated understanding of structures vis-à-vis individual and collective agencies as it internalizes issues of power, class, accumulation and state within an historical analysis of capitalism (Fine and Hall 2012, 2). As such, a major contribution of Marxism is its capacity to contextualize individual rationality within a structural logic, together with sets of institutionalized power relations historically specific to capitalism and specific to distinct national formations within world market (Marois 2012, 25; Leys 1996, 55). Goran Therborn argues that, for Marxists, products and the rationality of human mind always have some kind of social, historical and structural anchorage (1976, 77). This means that individual and collective class agents are endowed with consciousness and tend to act deliberately towards a goal, but their actions are subject to the structured contingency of capitalist social relations (Haugard 2002, 60). When viewed from this angle, the presumption that individuals endlessly pursue self interest –legitimately when performed through the market, but also illegitimately through the state as in rent-seeking and corruption- is not always true (Fine and Hall 2012, 51).

Markets are also understood within a broader pattern of capitalist economy and social relations of power (Therborn 1976, 108-113). This helps in uncovering some qualities of capitalist markets that are not available to others. Capitalist markets are not neutral mechanisms of voluntary exchange between

equal participants because they reflect the underlying and unequal social relations of power and production (Marois 2012, 32; Lapavistas 2005, 64). The capitalist class controls the means of production through institutions of private property, purchases labour power to put this capital into use, and attempts to realize the value of product through the circulation of commodities in the market. The working class only has available the sale of its labour power to earn its means of subsistence and social necessities, and directly produces the social product (Albo 2005, 64). There exist, then, inherent conflicts between workers and capitalists over the labour process, work-time, employment security and wages. Capitalists seek to optimize flexibility in pay and employment and retain control over the labour process. Workers pursue appropriate income levels and employment stability and attempt to exercise their own controls in the labour process (Albo 2009, 5-6). As such, it is misleading to speak about privatisation without bringing class struggle between capital and organized labour into the analysis.

The organizational capacity, form and ideological orientation of capitalists and workers will vary across places and different phases of capitalism (Albo 2009, 6). The space-temporal form of class struggle is however internally connected to a wider conditions and logic of world market. Rather than either liberal convergence (universalism) or institutionalist-Keynesian divergence (context), capitalist markets involve both uneven and combined processes of development (Albo 2005; Marois 2006). This means that one cannot separate Turkish or Argentinian privatisation processes, however specific they are, from flows of capital and the accumulation imperative in the world market.

For Marxists, the efficient market and inefficient state hypothesis is also not compelling. The capitalist markets require extra-market institutions and political relations in order to attempt to secure the conditions necessary for accumulation (Albo 2009, 8; Albo 2005, 73). States have been the key actors within this role and provide political legitimacy. They complement the capitalist markets (e.g. by establishing SOEs), safeguard their smooth expansion (e.g. by saving banks) and serve class hegemony (e.g. by granting social security and employment to popular masses) (Poulantzas 1978, 185). As such, the state is neither external to the market nor against it. The state is integral and

complementary to the processes of capitalist markets. This understanding provides a strong alternative to the neoclassical and liberal argument that capitalist markets spontaneously gravitate towards full employment and the most efficient use of resources, unless the adjustment path is blocked by state interventions and rent-seeking bureaucrats (Saad-Filho 2008, 338).

2.3.1. Marxian Privatisation Debates

For Marxists privatisation has a dual sense. First, it is the policy and process involved in the formal sale of SOEs and transfer of state assets to the private sector. This involves a reconfiguration in state-capital-labour relations. Second, it can involve the internalisation of market-oriented logic into still state-owned enterprises and the state, known as the commercialisation and corporatisation. This is a more qualitative social process that extends neoliberal social rule throughout the society and challenges the empirical idea of the 50 per cent plus rule (Fine 1997, 376; Marois 2012, 102; McDonald and Ruiters 2005, 9-13). In both senses, structures of capitalism, class and collective agency remain key analytical categories. There is greater emphasis on the internal relationship between privatisation and the power and class struggle. There remains, however, considerable debate within Marxian political economy about what explains the acceleration of privatisation. Much of the debate takes place with reference to the level of analysis (shifting world market imperatives or specificity of particular formation), the problem of agency (externally imposed or internally driven) and the theory of exploitation (distribution relations or production relations).

Accumulation by Dispossession

David Harvey's account of privatisation is based on an over-accumulation thesis and accumulation by dispossession. Harvey argues that capitalism is characterised by over-accumulation. Over-accumulation is a condition whereby surpluses of capital lie idle with few profitable outlets in sight. The chronic difficulty of over-accumulation became increasingly more salient during the

neoliberal era. Neoliberal capitalism required something outside of itself in order to accumulate and stabilize itself. In this way, Harvey asserts that accumulation by dispossession helped to solve the over-accumulation problem by finding more places and opening up new fields for over-accumulated capital to seize upon (Harvey 2011, 28; Harvey 2003, 139-156). Accumulation by dispossession describes processes of (1) the commodification of the global environmental commons (land, air, water); (2) the conversion of various forms of property rights (common, collective, state, etc.) into exclusively private property rights; (3) neo-colonial and imperial processes of appropriation of assets (including natural resources); (4) the corporatisation and privatisation of hitherto public assets (Harvey 2003, 147-148; Harvey 2007, 34). In the neoliberal era, the fourth process, privatization, has become a fundamental strategy of accumulation by dispossession. Privatization entails the release “at very low (and in some instances zero) cost” of a set of assets formerly owned by the state that can then be seized by private capital and used for profit (Harvey 2003, 149). Public utilities of all kinds (water, telecommunications, transportation), social welfare provision (public housing, education, health care, pensions), and public institutions (such as universities, prisons) have all been privatized to some degree throughout the capitalist world (Harvey 2007, 35). Once in motion, this movement created incredible pressures to find more and more arenas, either at home or abroad, where privatization might be achieved (Harvey 2003, 158).

Harvey argues that the main effect of the spread of privatisation has been to redistribute, rather than to generate, wealth and income (Harvey 2005, 159). Privatisation processes amount to the transfer of assets from the public and popular realms to the private and class-privileged domains, and from vulnerable to richer countries (Harvey 2007, 34). In India, privatisation entailed the transfer of productive public assets, which the state holds in trust for the people it represents, to private companies (Harvey 2003, 158). In Britain, the privatisation of utilities, state-owned companies and many other public institutions meant a redistribution of assets that increasingly favoured the upper rather than the lower classes (Harvey 2003, 159). In Mexico, the effects of privatisation had produced 17 billionaires that participated in the privatisation programme by buying banks, steel mills and sugar refineries (Harvey 2005, 103).

Harvey's concept of accumulation by dispossession has influenced the works of David Mansfield (2008), Arundhati Roy (2001), Susan Spronk and Jeffrey Weber (2007) and many others on contemporary privatisation. Mansfield used the concept of accumulation by dispossession to investigate privatisation by attending especially to its property dimensions. He investigated how structural factors actually work to enhance capital by creating commodities (via privatisation) through which capital can circulate (2008, 2-6). Roy argued with respect to the Indian case, that to snatch productive public assets away and sell them as stock to private companies is a process of barbaric dispossession on a scale that has no parallel in history (2001, 5). Moreover, building on Harvey's concept of accumulation by dispossession, Spronk and Weber pay attention to how structural factors shape collective action by comparing and contrasting the movements that erupted during key moments of protest cycle in the water wars of Cochabamba in Bolivia (2007, 31-33).

Harvey's concept of accumulation by dispossession provides important insights into why and how structural imperatives of capitalism and necessities of accumulation brought privatisation policy to the fore. However, it faces some difficulties especially applied to distinct national formations and specific complexity in most emerging capitalisms, two of which are examined here. First, Harvey seems to interpret privatisation more with the structural factors of over-accumulation in advanced countries and is far less concerned with institutional forms and mediations of capital accumulation in emerging capitalisms. The privatisation processes in emerging capitalisms are shaped not only by over-accumulation tendencies originated from advanced countries, but also their local and national dynamics (Albo 2005, 78-79). Second, Harvey tends to problematize privatisation only in relation to redistribution of wealth and income to private domains and richer countries. The relationship of privatisation with the production (generation) side of capital accumulation (including the extraction of surplus value) should have also been prioritized to capture the effect of the privatisation on the totality of capital accumulation process (Ercan and Oguz 2015, 115). It would have been possible to better grasp how and why privatisation constituted an integral part of the reorganisation of production relations between capital and labour. This is especially evident in dynamic

emerging capitalisms, which are trying to catch up with others at a higher state of development through increasing labour flexibility and intensification of labour power in the name of achieving international competitiveness.

Top-down Process of Externally Imposed Privatisation

James Petras and Henry Veltmeyer focus on a hierarchical interstate system, which they see as having much greater descriptive and analytical use, for exposing the primary actors behind privatisation (2001, 8). Petras and Veltmeyer argue that a range of international and foreign agencies dictate and impose the time frame and scope of privatisation in developing countries that occupy subordinate positions within the hierarchy of states. The most important agents include the US government, the European Union (EU) and multinational capital (e.g. Shell and BP) in the US and other core economies as well as IFIs like the International Monetary Fund (IMF) and the World Bank.

For Petras and Veltmeyer, privatization is a key component of the neoliberal program of structural reforms designed by imperial states and their MNCs to conquer national economies and hegemonize civil society of less developed states (Petras and Veltmeyer 2001, 93-94). The obvious result of privatization, according to them, has been a huge transfer of wealth from various national economies to the imperial states (Petras and Veltmeyer 2007, 108). In this way, privatisation leads to denationalisation of economy because it deprives a national economy of a lucrative source of accumulation, particularly when the multinational investors send their earnings abroad (Petras and Veltmeyer 2007, 108-109). Because of this, the nation state loses a strategic lever for shifting earnings to new sectors of the economy, which can have positive impacts on employment and the opening of new areas to investment (Petras and Veltmeyer 2001, 101).

The core strength of this top-down and externally imposed account of privatisation is its capacity to show the importance of the roles of international and foreign actors in the acceleration of privatisation processes. However, it has two problems. First, the privatisation process was not externally imposed on less developed countries from above by imperial states and IFIs. The pressures and

interests of imperial states and IFIs are usually mediated by domestic politics, domestic institutions and patterns of national accumulation and specific class strategies of domestic bourgeoisie, before they can become institutionalised in the less developed countries (Marois 2012, 169). Second, criticizing privatisation from a nation-state centric perspective based on an abstract concept of national economy is not very revealing. Even if the privatisation process had been prevented, the nation state would not always select policies that maximize the distributive justice, the rate of national investment or employment generation. The state and its institutions are shaped by ideology, class relations and material interest (Saad-Filho 2008, 343-344).

Specificity Within Structural Factors

Harvey's concept of accumulation by dispossession and Petras's top-down account provide important insights into why and how structural imperatives of capitalism and an external imposition of international actors brought privatisation policy to the fore. But the uneven pattern, pace and incidence of privatisation forced these accounts of an uncomfortable relationship to reality. If over-accumulation, for example, is a desirable pre-condition for privatisation, does this explain why privatisation has occurred, where it has or has not, and at what pace? The new literature that is seriously concerned about specific historical and social conditions, material interests of internal actors and their political and ideological impact has slowly emerged within a Marxian political economy. These relatively new accounts balance general structural imperatives with specific circumstances of a particular country (sector) and external actors with internal actors (Bayliss and Fine 2008; Fine and Hall 2012; McDonald and Ruiters 2012). The main motivation is to emphasize the need to address the specificity of particular countries and particular types of public sector provision, but without losing sight of the bigger picture.

Ben Fine argues that more secure grounds for explaining the emergence of privatisation are to be found in the shifting material conditions under which the accumulation of capital has been occurring on the world scale. First, the internationalisation of production has posed challenges to those SOEs that are

confined to domestic ownership alone (Fine 1997, 376). Second, in the wake of new technology, traditional divisions between the public and private sector, most notably in telecommunications and data processing, have been re-drawn (Bayliss and Fine 2008, 15). Third, the relationship between capital and labour have been reorganised in conjunction with shifts in management techniques associated with new technology, with greater pressures for privatisation (Bayliss and Fine 2008, 16). Fourth, the volume and range of financial services that have been made available as a result of these shifting material conditions have given rise to a wealth of idle capital that makes itself busy by pursuit of privatisation. As finance has increasingly come to the fore, this idle capital has both promoted and benefited from privatisation (Fine and Hall 2012, 53). In short, privatisation is systematically rooted in contemporary capitalism as a whole in the age of globalisation with financialisation to the fore.

The explanation of Ben Fine does not stop here. Although he emphasizes the importance of generic features of contemporary capitalism on privatisation, he also pays special attention to the specificity of different countries and sectors. He suggests that the appropriate mixing of the general and the specific is important. There is something different about water and housing, just as there is something different about South Africa and the UK (Fine and Hall 2012, 65-66). Fine's take is to examine country-by-country, sector-by-sector, exactly what is involved in the provision of public services, whilst keeping within sight of the bigger picture (Bayliss and Fine 2008). Moreover, Fine argues that the institutionalisation of privatisation logic within government capacity takes a number of forms not only at global level but also at national level. At the global level, the key role is played by the World Bank and its privatisation conditionalities through many of its loans over the years (Fine and Hall 2012, 61). At the national level, the political opposition emanating from the trade union movement and the willingness of domestic conglomerates to support privatisation and invest in privatised companies are effective in influencing the success of the government's attempts at privatisation (Fine 1997, 402-403).

The recently edited book by David McDonald and Greg Ruiters (2012) *Alternatives to Privatisation* follows similar methodological and theoretical grounds with Ben Fine. The book contains analyses backed up by comprehensive

examination of privatisation in over 50 countries in Africa, Asia and Latin America and in 3 sectors (healthcare, water and electricity). A series of individual chapters focus on the diverse actors involved in historical processes of privatisation processes and alternative struggles, including class-based international regulatory institutions, organized labour unions, women's organisations and broad-based social movements. The case studies are organized along sectoral and regional categories to show how and why privatisation processes vary according to specific sector and geographical locations (McDonald and Ruiters 2012).

Fine, McDonald and Ruiters do problematize the variations in the class forms and capital accumulation dynamics of particular national capitalisms within the world market. The strength of this type of Marxist interpretation is its propensity to place a particular country's privatisation experience in a larger global picture and explore it through the lens of conjunctural class struggle and specific historical processes. However, the number of these types of Marxist applications is low. The Marxian privatisation literature is more or less dominated by two lines of research outlined above: over-accumulation and external imposition. This has led to a tendency to subordinate contextual specificity to structural and external factors. This tendency would be more visible with reference to Turkey's privatisation literature, to which I will now turn.

2.3.2. Marxian-Inspired Interpretations of Turkish Privatisation Processes

Most Marxian-inspired interpretations of privatisation processes within the Turkish literature had been influenced by the two above-mentioned dominant lines of research. The Marxian assessments in the Turkish literature applied an over-accumulation thesis and external imposition accounts to the analysis of privatisation processes in Turkey. As such, the larger part of the literature tends to explain the acceleration of privatisation in Turkey in general terms without developing a deep and specific understanding of the Turkish context. This literature can be classified into two theoretical categories: left-nationalism and neo-Gramscianism.

The key characteristic of left-nationalist discourse in explaining privatisation is its emphasis on external dynamics and national interest. This is coupled with a conception of the Turkish bourgeoisie being a comprador or underdeveloped and a treatment of the Turkish state as the instrument of capital. Here I will discuss three distinct contributions within left-nationalist literature. These contributions use left-nationalist discourse in varying tones and degrees, within a range that diverges from more class-oriented positions to national-developmental approaches and more nationalist accounts.

The first contribution belongs to prominent socialist economists Korkut Boratav and Izzettin Onder. Boratav and Onder interpreted the acceleration of privatisation process in Turkey as an answer to the over-accumulation crisis and a response to the pressures of external actors such as the US, IMF and WB. Boratav and Onder identified local and national dynamics including the influence of Turkish bourgeoisie only as a secondary factor. This is because the Turkish bourgeoisie is considered as underdeveloped compared to powerful and dynamic foreign capital (TMMOB 2005, 51-57; Boratav 2011, 197-206; Boratav 2010, 21-24).⁸ In this context, Boratav and Onder describe privatisation as a mechanism of surplus and wealth transfer to mostly foreign capital and some sections of Turkish bourgeoisie. The wealth transfer has occurred in two ways: (1) low valuation and pricing of SOEs, and (2) violation of sale contracts (Boratav 1999, 280-285). For example, Koc Holding, the largest Turkish conglomerate, appropriated Tupras (State Petroleum Refineries Corporation, as elaborated on in Chapter 6) from the privatisation programme easily at a price below Tupras' value rather than using resources to establish new industrial enterprise from scratch. According to Boratav and Onder, this shows how Koc Holding increasingly oriented its activities towards plunder, profiteering and rentier activities through privatisations (Boratav 2008, 53-54).

The interpretation of Boratav and Onder has three problems. First, the primacy given to external factors diverts attention away from the material interests and actions of internal actors within the privatisation process. Second, when they describe privatisation as a mechanism of surplus transfer to the

⁸ Personal interview with Izzettin Onder, Professor of Economics at Istanbul University, Istanbul Representative of KIGEM (Center for Development of Public Management), 5 February 2013.

bourgeoisie, they reduce the state to an instrument of the bourgeoisie. Third, the conception that the Turkish bourgeoisie is underdeveloped and rentier is misplaced, because it is the productive capital organised in the form of holding companies that mostly appropriates state enterprises. Moreover, Koc Holding has so far invested a total of \$5.2 billion in Tupras to increase its efficiency and productivity.⁹

The second contribution belongs to Erinc Yeldan and Faruk Ataay. In a similar way to Boratav and Onder, they interpret the privatisation process in Turkey as an episode of income transfer (by the state) to national and international capital under close supervision of the IMF (Yeldan 2005, 11, 30; Ataay 2003, 223). Yeldan and Ataay thus portray each privatisation implementation as an unlawful, corrupt and rent-seeking act that reorganizes distribution relations in favour of national and international capital (Yeldan 2005, 17; Ataay 2003, 223-224, 244). What makes Yeldan and Ataay different, however, is their strong concern about the national economy and its position within the world capitalist markets. They have some worries that if the privatisation programme continues at the current pace and scope, Turkey's domestic refinery, petro-chemical and steel production will fall and import dependence will be intensified. As such, if Turkey sells strategic intermediate goods manufacturing SOEs to international monopolies and rentier national bourgeoisie, it would expose its economy to very serious risks (Yeldan 2005, 22). This understanding is influenced by the Keynesian-developmental notion, that international monopolies do not care about the development of the national economy and that the state is often more willing and capable of coping with increasing demand, given the size of the necessary investment (Yeldan 2005, 21). Yet, the expectation that national and relatively independent accumulation strategies are possible is misplaced. All holding companies in Turkey have formed various alliances with international capital at all different levels of productive, money and commercial capital over the last decade (Ozturk 2010). Under neoliberalism, competitive and financial imperatives also constrained the range of options politically available for the nation state (Saad-Filho 2008, 342).

⁹ This is more than the amount of money Koc Holding paid (\$4.4 billion) to purchase Tupras.

The third and most extreme contribution within left-nationalism literature belongs to Yildirim Koc and the Workers Party (IP; *Isci Partisi*). Koc and the Workers Party consider privatisation as a project of imperial powers that is externally imposed on the Turkish nation and the state (Koc 2005, 11; Isci Partisi 1998).¹⁰ The US and the EU forced Turkey to privatise SOEs, which had played critical roles in uniting different tribes and clans into a Turkish nation and ensured cohesion of the Turkish state, in order to break the political unity of Turkey (Koc 2005, 44-45). The position of the Workers Party towards AKP (Justice and Development Party; *Adalet ve Kalkinma Partisi*) is also worth mentioning. The representatives of the Workers Party emphasize the external and collaborationist character of the AKP and criticize it for being a secret agent of the IMF and American interest to complete the privatisation programme in Turkey (Ozkaya 2005, 12; Isci Partisi 2007).¹¹ In this way, the Workers Party proposes an opposition strategy to privatisation based on a discourse that sought to protect the national interest of Turkey against the US and the IMF. The Party states that: "SOEs are our homeland. They cannot be sold. It is a betrayal to sell those enterprises to foreigners" (Isci Partisi 1999; Isci Partisi 2003). The political implication is that the interests of various classes, including Turkish bourgeoisie, can be combined to form a cross-class 'national alliance' against privatisation efforts of imperial powers and international capital (Perincek 1995, 291-292).

The problems of this contribution are serious. First, emphasis on the role of external agents, such as imperial powers and international capital, diverts attention away from the class character of privatisation policy and weakens organised labour response to privatisation. Second, there is no longer a 'national Turkish bourgeoisie' that demands an internationally closed and protected economy that would make such an alliance possible. Third, even if imperial powers had projects over Turkey, they would not prefer Turkey to politically break into pieces. This could threaten the economic interests and investments of imperial powers and their MNCs within Turkish borders.

¹⁰ Personal interview with Yildirim Koc, Lecturer in Department of Economics at Middle East Technical University, Columnist at Aydinlik Newspaper, 17 October 2012.

¹¹ Personal interview with Mehmet Akkaya, Isci Partisi Merkez Yonetim Kurulu Uyesi, 17 Ekim 2012.

Unlike the left-nationalist discourse that interprets the Turkish privatisation process through prioritising external factors and redistribution relations, newly emerging neo-Gramscian accounts of privatisation began to emphasize the internal dynamics and the active agency of internal social forces on the privatisation process in Turkey. These assessments consider privatisation not as a process imposed on the Turkish society and the state from above, but rather as a hegemonic project that can be contested by different social forces. In one example of these assessments, Sevgi Balkan Sahin interprets privatisation in Turkey in the 2000s as processes shaped by hegemonic struggles among different social forces including outward-oriented capital groups and trade unions (2010, 483). Sahin concludes that outward-oriented capital groups, mainstream media and the AKP government constituted the most influential pro-privatisation groups, all of which defeated the opponents of privatisation through a hegemonic discourse that privatisation would bring benefits to all (Sahin 2010, 489).

In another assessment, Pinar Bedirhanoglu locates the Turkish privatisation process in the political processes, involving multi-level conflicts and interventions that end up reproducing a particular perception of social reality at the expense of others. In the 2000s, such perceptions of social reality as the 'mercantile' image of the state, pro-capital normality and efficiency have been successfully reproduced. This has not only helped draw boundaries between the capital-labour-state relations in a way that promote further privatisations, but also helped mask the substantially corrupt nature of privatisation implementations (Angin and Bedirhanoglu 2012; Angin and Bedirhanoglu 2013).

I think that these neo-Gramscian interpretations are more able to locate privatisation into a distinct and historically sensitive social formation of Turkey rather than focusing solely on general and undetailed global dynamics. The integration of domestic agency and power struggles into an analysis of why and how privatisation occurs is their core strength. They, however, seem to fail to analyse the political content of the demands expressed by different actors in relation to the overall process of capital accumulation in Turkey. This leads to 'overpoliticization' of privatisation activity. If the inner necessity of domestic

accumulation strategies had been incorporated into analyses, it would be easier to see that Turkish bourgeoisie has reproduced a particular perception of social reality (e.g. efficiency), not only to politically promote the idea of privatisation but also to reorient themselves towards more relative surplus value production by exerting direct control over state enterprises.

Where does this literature review leave us in terms of assessing strengths and weaknesses of Marxian approaches to privatisation? A major strength of Marxism is its analytical capacity to critically interpret privatisation within a structural logic and sets of institutionalized power relations, which are historically specific to capitalism and specific to distinct national formations; also, in relation to how local, national and global agents make decisions within this context. This offers an integrated understanding of structures vis-à-vis individual and collective agencies within a historical analysis of capitalism. However, this potential capacity of Marxism has not been completely realized yet. One weakness is the surprisingly low number of Marxian interpretations of privatisation. Another weakness emerges from the actual application of Marxian analytical categories. Most of the Marxian interpretations within the literature tend to subordinate specificity of national social formations to structural imperatives of capitalism, internal factors (local and national) to external factors (international and foreign), and production relations to distribution relations. In the Turkish context, these weaknesses are coupled with a problematic conception of the Turkish bourgeoisie as underdeveloped or rentier and the treatment of the Turkish state as the instrument of bourgeoisie. Indeed, there is room in the literature for a more historical-specific Marxian interpretation that pays greater attention to the conjunctural class characteristics and specific political nature of the privatisation policies in each emerging market within the broader dynamics of world market.

2.4. Marxian Inspired Analytical Framework of the Privatisation Process in Turkey

I formulated a Marxian-inspired analytical framework based around four categories –namely, contemporary capitalism, the state, power bloc, and

contemporary domestic accumulation strategies. The subject of my framework is how to interpret adequately the privatisation process and its acceleration in Turkey. This analytical framework offers a more historically grounded and contextually detailed interpretation that consists of a complex interplay of agency, structure and institutions under the competitive imperatives of the world market. First, my analytical framework does not seek to treat the Turkish privatisation process as an externally forced outcome by reducing it to the structural imperatives of contemporary capitalism and the dictates of the US-EU-IFIs. The structural imperatives of capitalism and interests of external actors are contested and shaped by specific power relations and the particular materiality and history of the state in Turkey. Second, my analytical framework seeks neither to 'overpoliticize' privatisation activity by reducing it to the political struggle of the individual and collective class agents. Nor does my analytical framework only approach this activity as the inner necessity of domestic accumulation strategies in Turkey. The actions and political struggles of individual and class agents are mediated by the economic necessities and accumulation strategies. Third, my analytical framework does not seek to conceptualize the Turkish state as an instrument of the bourgeoisie. The state is a social relation. In that regard, the state is relatively autonomous from the interests of social classes (including the bourgeoisie). Moreover, popular struggles exist in the state and are capable of forming centres of opposition to the privatisation process.

When viewed from this angle, the acceleration of the privatisation process in Turkey during the 2000s does not only refer to the over-accumulation imperatives (idle capital of advanced countries) and the pressures of the IMF. It also refers to the willingness and unity of the Turkish power bloc that is firmly established within a favourable context of domestic accumulation strategies in the 2000s. Moreover, the Turkish state did not simply form and implement the policy of privatisation upon the request of the power bloc. To institutionalize the social logic of privatisation on the terrain of the state, different bourgeoisie fractions of the power bloc had to confront alternative projects formulated by the resistance of dominant and dominated classes within the state and by the constitutive role of the state itself.

2.4.1. Category One: Contemporary Capitalism is the Structural Context for the Privatisation Processes

Capitalism defines some of the important realities –production, people and landscape- of our time. One cannot understand what is going on without analysing the profound upheavals that the development of capitalism has brought about in societies throughout the world (Beaud 1999, 1). Among historical systems, capitalism could be distinguishable by its competitive drive for boundless and ceaseless accumulation (Rupert 2005, 459). Capitalism's engine of accumulation is fuelled by the impersonal exploitation of labour power that is mediated by market relations. The value that is produced over and above the wage of workers constitutes surplus value for capitalists, and it provides the basis for profits, rents and interest. There exists, then, an inherent class struggle between workers and capitalists over the labour process, wages and social benefits (Lapavistas 2005, 59; Albo 2009, 5-6). These dynamics of class struggle and an unending search for accumulation lead to a continuous transformation of capitalism and give rise to new social forms or patterns of capitalist reproduction (Burnham 1997, 158; Albo 2012, 85). Capitalism should thus be understood not ahistorically, but as a complex social logic, able to transform the whole world around it, at the same time as it is able to transform itself.

Since the 1980s, contemporary capitalism or neoliberalism has emerged from the collapse of post-war state-led capitalism as a market-oriented class-based project to restore the profitability and power of capital (Albo 2009, 4; Marois 2012, 2). Contemporary capitalism is a historically specific phase of capitalism characterized by such competitive imperatives as the internationalisation of capital, financialisation, market-disciplinary constraints upon state institutions, and new relations of exploitation between capital and labour (e.g. flexibilisation and precariousness) (Saad-Filho 2008, 27; Albo 2005, 63-77; Albo 2009, 4). Those competitive imperatives of contemporary capitalism give structural context to privatisation in general (Bayliss and Fine 2008, 14-17). Privatisation has been at the forefront of transition to contemporary capitalism or neoliberalism (Saad-Filho 2008, 27; Albo 2005, 63). It is the strategies of neoliberal advocates that brought privatisation policy to the fore.

Why and how do imperatives of contemporary capitalism require or enable privatisation? First, the internationalisation of capital has presented challenges to those SOEs that are confined to domestic ownership and national production networks alone (Fine 1997, 376). For state elites and capitalists, those SOEs do not go hand in hand with one of the most important innovations of neoliberalism, namely international production networks. The expansion international production networks have linked labour processes across several countries. In this way, each country's labour process manufactures a component of a finished product and then distributes to the destination (assembling) country via new information and communication technologies (Albo 2009, 10-15; Albo, Gindin and Panitch 2010, 94).

Second, financialisation, as defined by greater flows of financial capital and new forms of social rule on intensified competitive imperatives, promoted privatisation. The collective interests of financial capital made financial flows busy by pursuit of privatisation (Fine and Hall 2012, 53). It is nevertheless important to avoid posing a strict opposition between a predatory financial sector and a productive economy, and link privatisation only with the former. Many of the innovations in finance have facilitated restructuring in systems of production and spread them through the internationalisation of capital (Albo, Gindin and Panitch 2010, 33; Hanieh 2012, 179; Saad-Filho 2011, 243).

Third, privatisation has provided important ways in which the entire state apparatus has been internally restructured to respond to the logic of capital and intensified competitive imperatives (Albo 2005, 77). For example, neoliberal advocates benefited from privatisation of SOEs to break the power and access of organized labour to state apparatus (George 1999, 31).

Fourth, privatisation and the labour flexibility (or precariousness) have been intimately related to one another (Bayliss and Fine 2008, 16). Privatisation has enforced new relations of exploitation between capital and labour. In part, it extends workers' dependence on the market in all aspects of daily life through removing their access to public services (Albo 2008, 359-360; Rupert 2005, 459). In part, it also intensifies discipline and control of organised labour, as workers experienced higher flexibilisation, namely in a sharp decline in

permanent contracts, while trade unions have increasingly been attacked by a range of legal and regulatory pressures (Albo, Gindin, Panitch 2010, 90).

Those competitive imperatives of contemporary capitalism explain the emergence of privatisation in general, but the implementation of privatisation policy differentiates institutionally by specific patterns of accumulation, power relations and state restructuring of each society (Brenner et al. 2010, 28). In this way, the analysis of the acceleration of privatisation in Turkey should capture both the generality of contemporary capitalism and the specific complexity of capitalism in Turkey, which I address in the next categories.

2.4.2. Category Two: The State is an Integral Element of the Privatisation Processes

The policy of privatisation is formed, established and implemented inside and through the institutional structure of the state. The idea that the state is simply acting at the behest of capital to privatise, or the idea that the state authorities resist privatisation efforts of social forces to protect its own privileges (or public interest) is still prominent in many analyses of privatisation processes (Gill 2002; Brand and Heigl 2011, 254). In contrast to these, a Poulantzian understanding of the state should be outlined, that is the state as a condensation of social class relations. Nicos Poulantzas reminds us that capitalist states are relational formations; as such, they comprise and constitute historically specific material condensation and institutionalisation of politico-ideological relations that are malleable but also momentarily fixed and formative (Poulantzas 1978, 17-27; Marois 2012, 27). The state is being subjected to a continuous process of institutional restructuring in relation to specific dynamics of class struggle and capital accumulation within each society, in which the state plays a relatively autonomous role in constituting rather than simply registering itself (Yalman 2002, 13-14; Poulantzas 1978, 129-130).

The social forces pushing for privatisation want to institutionalize their vision in the branches or apparatuses of the state. In so doing, they wish to aim at transforming the latter's institutional materiality suitable to privatisation (Brand and Heigl 2011, 255). Within the matrix of the Turkish state, there have been frequent attempts to institutionalize the social logic of privatisation since the

1980s by restructuring the state and changing the administrative and regulatory setting in which decisions are taken. Some of the reforms have involved switching the setting in which decisions are taken from a national to international level (e.g. IMF, European Commission), from Parliament to executive organs (e.g. Privatisation High Council, Privatisation Authority), from commissions of elected politicians to independent regulatory authorities (e.g. Energy Market Regulatory Authority) and from a broad judiciary apparatus to specific legal chambers (e.g. 13th Chamber of Danistay) (as elaborated on in Chapters 6 and 7).

This does not mean that the reform and institutional restructuring process was smooth. In fact, privatisation remained a heavily contested issue inside and outside the Turkish state apparatus from the 1980s until the consolidation of institutional restructuring process in the mid-2000s, which resulted in the establishment of a strategic selectivity on the terrain of the Turkish state that rendered this terrain conducive to privatisation (Oguz 2008, 170-190). This is because policy formulation and implementation in and through state apparatuses is subject to processes of condensation and intra-state contradictions. This means that advocates of privatisation must be ready to confront alternative projects formulated by the different social and political forces (Bretthauer 2011, 79).

Some of the individual and collective agents struggling to shape (restructure) the social logic of the state apparatus and its regulatory and distributive framework related to privatisation policy have involved state managers and political parties alongside the domestic and foreign capital but this is never to the complete exclusion of organized labour and popular classes (Marois 2012, 27). First, diverse fractions of capital have different and conflicting interests over state and government policy (Poulantzas 1978, 135-136). For example, the attempts of the Anatolian capital to win major privatisation bids (e.g. the sale of tyre manufacturer Petlas) disturbed the Istanbul-based bourgeoisie (Oguz 2008, 136). This class contradiction is inscribed in the very structure of the Turkish state. The military-led National Security Council (constituting the power base of Istanbul-based bourgeoisie) formulated 'the February 28 decisions' that forced the DYP-RP government to resign and closed

down the RP (constituted the power base of Anatolian capital) in 1998 (Oguz 2008, 136-137). Second, the popular classes exist in the state not by means of apparatuses concentrating a power of their own, but essentially in the form of centres of opposition to the privatisation efforts of dominant classes (Poulantzas 1978, 132-142). There are elements of this especially in the privatisation process of Tupras as reflected in the struggle of Petrol-Is union (as elaborated on in Chapter 6). Third, there is a constitutive role of the state itself. The state is not reducible to the relationship of forces; state authorities exhibit an opacity and resistance of their own, albeit with limits (Poulantzas 1978, 130). Some Turkish state authorities occasionally played a role of their own in shaping the privatisation processes on the basis of public-national interest, or fiscal health of the state (as elaborated on in Chapter 7 in relation to Turk Telekom privatisation).

2.4.3. Category Three: Power Bloc is Key Class Agent Behind Privatisation

The class compromises and struggles between fractions of capital within power blocs are important material forces in shaping the privatisation processes. Poulantzas argues that inter-relations between the dominant classes happen within a specific political unity –power bloc (1968, 229). A power bloc is composed of sometimes competing, often interrelated, fractions of capital - financial, industrial and commercial- but organised within the state to create an unstable alliance of unity and compromises under the hegemony or leadership of one fraction (Poulantzas 1978, 127). It is through the power bloc that these different fractions are unified to rule (Carnoy 1984, 102).

In Turkey, classification of bourgeoisie fractions according to function of capital is not very useful because big holding groups brought together the financial, industrial and commercial functions of capital within their holding structures (Geltekin-Karakas and Ercan 2008, 1-3). It is better to categorize the Turkish power bloc as follows: TUSIAD-based big capital (early participant to accumulation process, concentrated around Istanbul), Islamic-influenced Anatolian capital (late participant to accumulation process, geographically diffused, and represented by MUSIAD and TUSKON) and foreign capital (mostly

originating from Europe and Middle East, represented by YASED) (Ercan 2009, 38). From the 1980s to the late 2000s, the leadership of the power bloc has been coming from the TUSIAD-based big holding groups. Such capital groups as Koc Holding, Sabanci Holding and Cukurova Holding formed the hegemonic fraction of the bourgeoisie. They tended to win out at certain moments of the Turkish privatisation process (Ozturk 2010).

Two questions are crucial here. One question is: how willing are the fractions of the Turkish power bloc to integrate privatisation into state policy as a priority, as opposed to a counter priority of continuing the comfortable relationship enjoyed with SOEs in any case? The limited extent of privatisation that did occur in the 1980s and 1990s reflected the unwillingness of different fractions of the power bloc (especially the hegemonic TUSIAD fraction) to make privatisation the priority option for a variety of reasons, including: (i) the fear that foreign capital would dominate the process, (ii) a reluctance to commit large-scale finance when other opportunities were available in financial markets, and (iii) the comfortable relationship that was enjoyed with the state enterprises within the conditions of limited exposure to world market competitive imperatives (Guran 2011, 40; Patton 1992, 116; Yalman 2009, 329). The focus of mainstream literature on self-seeking state officials and institutional capacity diverts attention away from the role that can be played by the collective action of the power bloc. Although it is not greatly emphasized by the mainstream literature, market forces can resist privatisation under some conditions.

Here is the next question. Are different bourgeoisie fractions able to combine their interests and achieve a contradictory unity of compromises over privatisation policy within the material institutions of the state? Poulantzas reminds us that the creation of coherence within the power bloc is often problematic (1978, 125-137). In the Turkish context, two factors made the creation of coherence within the power bloc problematic during the 1980s and 1990s. First, there was conflict between big holding groups and Anatolian capital fractions of Turkish bourgeoisie over the SOE privatisation. Big holding groups pressured state authorities to restrict the participation of the Anatolian capital to SOE tenders, whilst Anatolian capital formed alliances with the opponents of privatisation (e.g. statist bureaucrats, unions) to block the privatisation efforts of

holding groups (Oguz 2008, 136-137; Silverman 2014, 140). Second, these fractional divisions would double as soon as we are to take into account the process of internationalization of capital. No longer are only the interests of domestic capital represented within the power bloc, but also the interests of foreign capitals (Poulantzas 1974, 73). The presence of foreign capitals in the Turkish power bloc has historically been ensured by internationalizing big holding group fraction of domestic capital, introducing the interests of foreign capital into domestic political bargaining. Despite the positive relationship between domestic holding groups and foreign capital in many areas, the holding groups pursued a strategy of preventing foreign capital to purchase SOEs throughout the 1980s and 1990s (Onis 1991, 173; Ozturk 2010, 160). This was because holding groups were more interested in welcoming short-term financial flows rather than FDI inflows at that time (Gultekin-Karakas 2008).

The unity of the state and power bloc over favouring and prioritizing privatisation is firmly established through a complex process of compromises in the early 2000s. The hegemonic fraction of capital –the TUSIAD-based big holding groups- turned from resisting certain forms of privatisation to supporting it unconditionally. This was because big holding groups founded ways to compromise its interest with the interests of different fractions of capital including Anatolian capital and foreign capital over privatisation (TUSIAD 2002a, 21; MUSIAD 2004, 80). Moreover, the newly elected AKP government internalized this compromise and acted to organize the general interests of capital under the hegemony of the dominant holding group fraction (Ercan, Karakas and Tanyilmaz 2008, 7; Ercan 2010). Consequently, state authorities undertook changes in the state institutions. Key mechanisms, nodes, and decision-making centres were made impermeable to groups opposing privatisation, as discussed above in relation to the category of the state (Oguz 2013). For example, the access of opposition groups to judiciary organs of the state is made difficult with changes in the Privatisation Law (4046) in 2004 (Privatisation Law 4046, 316). These changes authorized the 13th Chamber of Danistay (Highest Administrative Court) to act as an expert court responsible for all privatisation cases. In this way, opponents of privatisation lost access to other

local and regional administrative courts as well as the other fourteen chambers of Danistay (as elaborated on in Chapter 6).

2.4.4. Category Four: Privatisation is Constitutive of Contemporary Domestic Accumulation Strategies

Privatisation is a constitutive element of contemporary domestic accumulation strategies, understood as located within the wider world market. The imperatives of domestic accumulation strategies provide a context to the willingness and unity of individual and class agents over privatisation policy. It is, therefore, necessary to analyse the political content of the demands expressed by individual and class agents in relation to the conjunctures of domestic accumulation strategies.

In the 1990s, domestic capital accumulation strategy mostly depended on short-term flows of money capital (Ozturk 2010, 149). Financial liberalisation worked as a mechanism of resource transfer to the major capital groups, as the holding banks directed the money-capital they derived from financing state debts to the expansion of their holding companies (Ercan and Oguz 2015, 120). The orientation of Turkish capital towards the accumulation of money capital, however, resulted in a decline in the pursuit of a privatisation programme. When the possibility of making lucrative gains in financial markets was available, Turkish capital was unwilling to allocate available resources to fixed and productive investments in the form of purchasing SOEs (Gultekin-Karakas 2008). Under these capital accumulation strategies, privatising SOEs has not been a political priority for Turkish capital groups.

In the 2000s, the economic policies of the Turkish state centred on the capacity of large domestic companies to expand internationally (for commodity exports) and engage in partnerships with global capital. This meant that the capital groups which previously relied on the extraction of absolute surplus value (e.g. suppression of wages), or the redistribution of surplus value by the state (e.g. financing state debts), would have to reorient themselves towards relative surplus value production through higher technology and increasing labour productivity (Ercan and Oguz 2015, 120-121). It was imperative to

increase international competitiveness of Turkish economy in general and Turkish firms in particular.

This helped to shape the orientation of different fractions of capital and state authorities towards forming a coherent political project on the objective of accelerating privatisation. Privatisation of SOEs constituted an important strategy in which the domestic accumulation strategies have been internally restructured to respond to new imperatives of international competitiveness (DPT 2000c, 55-56). First, privatisation would intensify the discipline and reproduction of labour power to enhance labour productivity. Second, privatisation would enable Turkish capital to exert direct control on industrial and infrastructure input providing SOEs (DPT 2001b, 120-121; TUSIAD 2002b, 7). This would in turn assist Turkish capital groups to restructure an entire productive apparatus to its exclusive advantage (e.g. cost reduction, new technologies) and to the grave detriment of popular masses (e.g. employment loss, precariousness). Third, privatisation would also provide opportunities for Turkish capital to shift money-capital from state debts, which had become unsustainable, into fixed capital investments (Ozturk 2010, 163-164, 174; Senalp 2012, 256).

In this light, it is crucial to recognize how significant privatisation is for the functioning of the economic policies, far beyond the selling off of state assets or the commercialisation of public services. It is also crucial to recognize how the actions and priorities of individual and collective class agents are mediated by the shifting domestic accumulation strategies.

2.5. Conclusion

This chapter reviewed the political economy literature on the privatisation and its acceleration in Turkey. The interpretations of privatisation and its acceleration have *analytically* evolved around a narrow set of issues, explanatory factors and explanatory methods. The first of these is the relative weakness in incorporating the theory of the state into privatisation debates. The second of these is the reliance upon the universal principles of analysis –whether expressed as the failure of state ownership and rent-seeking bureaucrats in

mainstream accounts or over accumulation and external imposition in critical accounts- that applied across different countries at different stages of development, and with different economic, political and ideological structures and agencies. It is true that some institutionalist-Keynesian interpretation has reached the conclusion that specificity does matter. But it also revealed other analytical issues. There existed an inadequate analytical framework in which to comprehend structural constraints to capitalist development, class struggle and power relations underpinning the formation of specific institutional and political context.

This literature review demonstrates that there is a need for greater attention to the conjunctural class characteristics and specific political nature of the privatisation policies in each emerging market within the broader dynamics of world market (Albo 2005, 78-79; Marois 2012, 38; Bayliss and Fine 2008, 29). In that regard, I argue that a Marxian-inspired analytical framework based around four categories –namely, contemporary capitalism, the state, power bloc, and contemporary domestic accumulation strategies- throws light on important insights. First, in contrast to the universal principles versus specificity polarities found in the large part of the literature, it captures both the generality and specific complexity of historical change. Second, in contrast to the relative weakness in incorporating the theory of the state into privatisation debates, the analytical framework suggests that state authorities do not simply act to privatize SOEs at the behest of capital (Marxist instrumental) or they do not resist privatisation independently from social forces to protect their own privileges (neoclassical and liberal) or public interest (institutionalist and Keynesian). Third, in contrast to externally oriented accounts, the role of the domestic private sector is of critical importance. It is not always demanding and supporting privatisation; its actions towards privatisation are modified and shaped by class struggles and prevailing domestic accumulation strategies.

Chapter 3 -State, State-Owned Enterprises, and the History of Capitalist Development in Turkey

In the early nineteenth century, Ottoman-Turkish society was predominantly pre-capitalist. Yet the twentieth century witnessed a remarkable transformation of Ottoman-Turkish society. By the end of World War II, Turkish society radically transformed from a non-capitalist subsistence production basis, operating under the dominance of foreign powers, to a capitalist society defined by emerging national bourgeoisie and effective state apparatus geared towards national capitalist development (Marois 2012, 67-68). Within a couple more decades Turkey would also experience a capitalist expansion under a mixed economic framework where the Turkish bourgeoisie turned to industry on a mass scale for the first time under the protected domestic market and with different forms of state support (Savran 2002, 10). This, however, unfolded the contradictions of capitalism and the concomitant struggles between and within classes that signalled the transformation of the Turkish economy from a mixed economy to neoliberalism and from ISI to export-orientation in the late 1970s (Cokgezen 2000, 529-530; Marois 2012, 58).

The capitalist consolidation and expansion in Turkey, however, should not be interpreted just as a self-regulating rational market process or as a top-down process imposed by strong state elites over society. Rather, I argue that advocates of capitalist development within the Turkish state and society actively struggled to shape the state and its institutions, depending on historically prevailing strategies of national development and social relations of power, to serve class hegemony and assist in the smooth expansion of capitalist relations (Aydin 2005, 25). Three points deserve special emphasis. First, state-owned enterprises (SOEs) were central to state-capital-labour relations. They appeared as the precondition of the development of capitalism in Turkey. Second, the relations between SOEs and social forces were internal and complementary rather than external and antagonistic. As such, SOEs assumed a great deal of responsibility for providing industrial inputs, infrastructure and investment capital to Turkish bourgeoisie. SOEs also granted certain material demands to the popular masses (for example, employment opportunities, social security,

agricultural credits). Third, the statist contention that the Turkish state elites were not responsive to the demands of the Turkish bourgeoisie does not seem to be true. Even in the midst of state-led development during the 1930s (*etatism*), the Turkish bourgeoisie was capable of shaping the policymaking process to its benefit. The chapter plan is as follows. Section 3.1 looks at consolidation of capitalism in Turkey between 1838 and 1945 by giving special attention to the processes of forming a national capitalist economy and nurturing a Muslim-Turk bourgeoisie. Section 3.2 then discusses the post-war expansion of capitalism in Turkey between 1946 and 1980 under a mixed economic framework. This is followed by a brief conclusion in Section 3.3.

3.1. Consolidating Capitalism in Turkey: 1838-1945

The early integration of the Ottoman Empire into the capitalist world market was marked by the unequal exchange of agricultural raw materials for imported foreign manufactures, weak national bourgeoisie and colonial-like domination of foreign powers over Ottoman-Turkish economy (Savran 2011, 42; Yerasimos 1975, 1051). The 1908 Young Turk revolution challenged this situation (Marois 2012, 46). The Kemalist revolution then took this challenge one step ahead by destroying the age-old Ottoman state and setting up the Turkish Republic in 1923 (Savran 2002, 6). The process of consolidating capitalism in Turkey is thus a process of creating a national capitalist economy (*Milli İktisat*) and nurturing a Muslim-Turk bourgeoisie (Ahmad 1993, 44; Savran 2002, 6; Turkay 2009, 139). The state and SOEs played vital roles in this consolidation process. To put it differently, state-led development was necessary for the consolidation of capitalism in Turkey (Taylan 1982, 12). In what follows, I will look at the consolidation of capitalism in Turkey between 1838 and 1945.

Early Integration into the Capitalist World Market: 1838-1908

The Anglo-Ottoman Commercial Convention of August 1838 was the first conscious step taken by the Ottoman reformers to crystallise the capitalist development in the empire. The convention abandoned protectionism and

permitted foreign merchants to engage in internal trade for the first time (Turkay 2009, 134). In this way, the Ottoman economy began to integrate into industrializing Western European region and became a market for European industrial products in exchange for agricultural raw materials and minerals (Savran 2011, 42). The main export goods of the Ottoman economy were unprocessed tobacco leaves, grape, cotton, wheat, copper and coal; the only processed export item was carpet (Yerasimos 1975, 952-955). The imported industrial goods included textiles, basic manufactures and clothing (Keyder 1989, 45).

This led to two important outcomes. First, traditional craft industries already in decline were dealt a sharp blow. Traditional craft industries failed to compete with European manufacturers. This was because European manufacturers were technologically much more advanced and mechanized (Ahmad 1993, 27). Traditional craft industries were also negatively affected by the rising price of agricultural raw materials, which they had been using as inputs, due to the appearance of export opportunities (Yerasimos 1975, 659).

Second, an increasing number of Ottoman cities including Istanbul, Izmir, Adana, Thessaloniki, Damascus and Aleppo, had become a part of capitalist commodity exchange networks (Savran 2011, 43). This had influenced the emergence of commercial Ottoman bourgeoisie that was ready to act as an intermediary between the local population and the foreign capital (Pamuk 1988, 215-217). The emerging commercial Ottoman bourgeoisie was mostly comprised of non-Muslim minorities of the empire –Greeks, Jewish, and Armenians (Savran 2002, 4; Yerasimos 1975, 924-929).

The emerging Ottoman bourgeoisie and the reformist bureaucrats recognized that old religious and economic institutions, as well as the old governance mechanism, were no longer capable of meeting the needs of the empire, which was heading towards modern capitalist development (Kivilcimli 2007, 18-19). This spurred the *Tanzimat* period of state reorganisation (1839-1876). The *Tanzimat* aimed at shaping the state formation and institution-building processes around capitalist development (Marois 2012, 45). *Tanzimat* reformers were steeped in Westernization and looked to Europe as their model and inspiration (Ahmad 1993, 26; Savran 2002, 5). One reform involved the

enactment of the penal code in 1840, which was influenced by the French codes, to limit the arbitrary and absolute rule of the sultan (Yerasimos 1975, 648). The next reform aimed at defining private property rights and centralizing tax collections with the 1858 Land Act (Yerasimos 1975, 642-647). Other reforms sought to integrate non-Muslim commercial bourgeoisie more thoroughly into Ottoman society by enhancing the civil liberties of minorities and granting them equality throughout the Empire (Yerasimos 1975).

Ottoman reformers had also been involved in the modernisation and strengthening of local industry during the *Tanzimat* period (Onsoy 1984, 6). Ottoman reformers established an industrial reform commission in 1866 to provide subsidies and tax exemptions to private investors, who wanted to carry out industrial investment projects (Ozturk 2010, 28). Reformers also established a few state-owned enterprises in textile, military weaponry and paper industries (Hale 1981, 36-37). However, the limited financial resources, the lack of a competent industrial policy, the growing technological gap between Europe and the Ottoman Empire, and the resistance of commercial Ottoman bourgeoisie (its wealth came from the profits of international trade, not from local production) all combined to set strict limits on these types of economic policies pursued (Owen 1981, 116; Kivilcimli 2007, 103-104). Therefore, the efforts to modernize local production failed to be effective.

In the absence of modern local production and a strong bourgeoisie class endowed with national consciousness, foreign capital and credit agencies dominated the Ottoman economy. For example, British capital (later joined by French and Austrian capital) founded the Ottoman Bank in 1856 and kept its head office in London. The bank served as the intermediary between the debt-hungry Ottoman state and foreign capital (Marois 2012, 45). Within twenty years the external debt of the Ottoman Empire increased significantly and reached 3 billion francs (Yerasimos 1975, 825). As a result, the Ottoman Bank gained the right to supervise the state budget in 1881. This 'Debt Administration' subordinated the Ottoman state's finances to European capitalist powers. In this way, the Ottoman Bank internalised a colonial form of banking within Ottoman society, and, therefore, the power of interest-bearing credit, debt and discipline (Marois 2012, 46; Savran 2011, 53).

Foreign capital was also very active investing in railways, ports and mines. These infrastructure investments were critical to transport agricultural products to big cities and enabled commercial capital to move further into the inlands of Anatolia (Seni 1978, 21; Yerasimos 1975, 702-703). For this reason, the Ottoman government had to provide financial guarantees and concessions to encourage foreign capital to undertake these investments, despite its weak financial position (Yerasimos 1975, 702-703). For example, British capital constructed the Izmir-Aydin railway along the Aegean coast and the Varna railway in Bulgaria (Yerasimos 1975, 771). French capital constructed the European and Syrian Railways. German capital completed the Anatolian and Baghdad Railways (Seni 1978, 21; Yerasimos 1975, 971).¹² Moreover, foreign capital (mostly French) invested in ports such as Izmir, Selanik and Istanbul (Yerasimos 1975, 964). Furthermore, foreign investors were involved in the mining industry and established the Ereğli Coal Company in 1893 and Karasu Lead Mine Company in 1900 (Yerasimos 1975, 961).

The 1908 Young Turk Revolution

The colonial-like situation had become a source of social discontent focused on the Ottoman Sultan and state, as well as on the foreign powers exercising enormous influence over them (Marois 2012, 46; Yerasimos 1975, 1051). The 1908 Young Turk revolution, led by the Committee of Union and Progress (ITC – *Ittihad ve Terakki Cemiyeti*), challenged the situation (Savran 2002, 5). The Young Turks, however, did not represent a well-supported popular insurrection, but a top-down, power-centralizing bourgeoisie revolution. The Young Turks aimed at enhancing consolidation of capitalism by defining property rights, restricting absolute powers of Sultan and inserting (modernizing) the Ottoman Empire into a league of European states by re-establishing parliament, which had been suspended by Sultan Abdulhamid II in 1878 (Marois 2012, 46;

¹² Izmir-Aydin railway line was 130 km long and Varna railway was 224 km. The European railways line was 1,364 km long and connected Istanbul-Edirne-Selanik-Dedeagac. The Syrian railways line was 779 km long and connected Beirut-Damascus-Aleppo-Tripoli. The Anatolian railway line was 1,033 km long and connected Istanbul-Izmit-Ankara-Eskisehir-Konya. The Baghdad railway line was 1,037 km long and connected Konya-Iskenderun-Antep-Ras Al Ayn-Baghdad (Yerasimos 1975; Seni 1978).

Yerasimos 1975, 1057-1060). More importantly, the Young Turks wanted to kick-start the process of creating a national economy and nurturing a Muslim-Turk bourgeoisie (Ahmad 1993, 44; Kivilcimli 2007, 92).

The ITC government of Young Turks pursued three strategies to achieve these targets. First, the government abolished capitulations unilaterally and applied a protectionist tariff policy to put an end to the privileges of foreign states and companies (Keyder 1989, 82-83; Boratav 2011, 31). Second, the ITC organized the establishment of a national bank -*Osmanli Itibar-i Milli Bankasi*- to reduce dependency on the foreign controlled Ottoman Bank, and encouraged Anatolian notables and merchants to establish private banks to fund national investments (Toprak 1982, 138-163).¹³ Third, the government attempted to increase the number of private national companies (Toprak 1982, 37). One strategy involved the public-private partnerships (PPPs). As private national companies were unable to raise large sums of finance, the state borrowed money and then lent it to private companies to finance their incorporation and expansion. The factory in Adapazari that manufactured iron and wood materials was a typical example of the PPPs (Bugra 1994, 67-71). Another strategy involved the enactment of laws for the encouragement of industry and incorporation (Toprak 1982, 37-46, 171-172; Ozturk 2010, 30-31).

As a result of these efforts, the number of incorporated companies increased from 86 in 1908 to 322 in 1918 (Toprak 1982, 57).¹⁴ It was the Muslim-Turk fraction of bourgeoisie (including the ITC members) that actually owned these newly incorporated companies. At the time, a part of the Armenian population was deported from Eastern Anatolia in 1915. This enabled the Muslim-Turk bourgeoisie to seize wealth and property of the Armenian bourgeoisie and increase its capital accumulation even more (Savran 2011).¹⁵

¹³ The plan of the CUP was to convert the *Osmanli Itibar-i Milli Bankasi* into a state bank and replace the Ottoman Bank. This plan, however, never realized. The *Osmanli Itibar-i Milli Bankasi* combined with the *Is Bank* in 1927. On the other hand, the plan to establish national private banks was successful. Some of the banks established at the time were: *Konya Milli Iktisat Bankasi* (1909), *Kayseri Milli Iktisat Anonim Sirketi* (1916), *Eskisehir Koy Iktisat Bankasi* (1918), *Milli Aydin Bankasi* (1914), *Manisa Bagcilar Bankasi* (1917), *Islam Ticaret Bankasi* (1914) (Toprak 1982, 138-163).

¹⁴ The division of industrial companies according to sectors was as such: food industry (28.6%), textile industry (27.5%), stationary industry (19.4%) and the rest (24.5%) (Toprak 1982).

¹⁵ See novels of famous Turkish writer Yasar Kemal such as "Yagmurcuk Kusu" and "Ince Memed".

The Muslim-Turk bourgeoisie thus began to replace non-Muslim Greek, Armenian and Jewish bourgeoisie especially in cities such as Istanbul, Izmir, Adana and Konya (Yerasimos 1976, 1177-1178; Toprak 1982, 62).

1923 Kemalist Revolution and the Republic of Turkey

The policies pursued under the ITC government of the Young Turks succeeded in achieving some progress towards crafting a national capitalist economy and nurturing a national Muslim-Turk bourgeoisie (Ozturk 2010, 31). But it was the Kemalist revolution that completed these unfinished jobs by destroying the age-old Ottoman state and setting up the Turkish Republic in 1923 (Savran 2002, 6; Turkey 2009, 139). Mustafa Kemal (Ataturk) assumed the first presidency of the Republic and helped centralize political power within the CHP –Republican People's Party, *Cumhuriyet Halk Partisi* (Savran 2002, 6). In 1923, a national economic congress was held in Izmir with the participation of a thousand delegates from CHP government officials, state managers, and the representatives of agriculture, trade, and industry. The meetings at the Izmir Congress laid down the principles of Turkey's economic policy and established the guidelines for state and private sector activity during the first years of the Republic (Finefrock 1981). It was agreed that if the state formation and a national bourgeoisie were to thrive, the new Turkish state would have to take an active role in financing development of national bourgeoisie and displacing the power of foreign capital. Two primary strategies stand out: (1) promoting national economy, and (2) supporting the development of the national bourgeoisie (Boratav 2011, 46; Yalman 2009, 157). However, it should be noted that the state authorities tended to avoid establishing new state enterprises. The preference was for state-supported private-led development over state-led development.¹⁶

To support private sector development, the CHP government enacted a new and more comprehensive law for the encouragement of industry (*Tesvik-i Sanayii Kanunu*) in 1927. As part of this law, the CHP provided incentives to

¹⁶ For example, the establishment charter of TSMB did not allow the bank to establish new industrial plants and proposed the transfer of textile mills to the private sector when the latter became powerful enough (Hale 1981, 42).

private industrial capitalists including discounted transport on railways and free land for investment (Sonmez 1999, 2). The CHP also established the Turkey Industry and Mining Bank (*Türkiye Sanayii ve Maadin Bankasi* -TSMB) in 1925 to take over the textile mills, which the Republic inherited from the Ottoman Empire, and to grant credits and offer technical advice to industrial private capital. The modest capacities of the state apparatus and restrictions imposed by the Lozan Peace Treaty in relation to foreign trade policy prevented Turkey from achieving serious progress in private sector development and industrialisation (Sonmez 1999, 1; Baskaya 2012, 220; Boratav 2011, 44; Turkey 2009, 145). The economy still remained as largely subsistence-based agriculture organized around small villages (Sonmez 1978, 40).

Despite limited resources, state authorities took an active role in organizing a domestic banking system to compete with foreign-owned banks. Although the Muslim-Turk bourgeoisie established a couple of dozen local banks between 1908 and 1923 with the support of ITC, those banks were not able to compete with the larger foreign banks. Therefore, the Kemalist cadres collaborated with representatives of the national bourgeoisie to establish Turkey's first important private domestic bank, Türkiye İş Bank, in 1924 (Marois 2012, 47).¹⁷ The İş Bank immediately took the lead in financing state-led infrastructure investments and participated in PPPs such as sugar factories at Alpullu and Uşak as well as the Istanbul Harbour Monopoly Company (Hale 1981, 42). In this way, the İş Bank represents an example of how the class compromise between Kemalist cadres and representatives of national bourgeoisie paved the way for a renewal of capital accumulation to facilitate the stability of capitalist development in Turkey (Boratav 2011, 41).

The CHP government limited direct state intervention to the operation of basic public utilities and state monopolies that were mostly taken over from the foreign companies (Hale 1981, 40; Sonmez 1978, 33). First, the CHP created the General Directorate of Railways (GDR) in 1927 to operate railways. By 1930, the GDR spent 15.2 per cent of the state budget to nationalize 3,000 km of foreign-

¹⁷ Atatürk himself in collaboration with Uşakizade Muammer Bey, his father-in-law, subscribed an initial paid-up capital of TL 250,000. Among other members of the regime, Celal Bayar was appointed General Manager of the new bank. Member of Parliament from Siirt region, Mahmut Bey, was selected as the Chairman of the Board.

owned line, to construct 800 km of new railway line, and to establish an iron-steel plant in Kirikkale to manufacture rail bars (Hale 1981, 40-41; Seni 1978, 36-37). The railways thus emerged as the first modern and dynamic state enterprise of the republic (Boratav 2011, 47). Second, the government purchased the tobacco monopoly from the French Regie in 1925 and started to operate it under state ownership and control (Hale 1981, 41). The CHP then decided to contract other nationalized monopolies (for example, petroleum, match and salt) to domestic and foreign companies in order to assist private sector development and increase foreign capital inflow into Turkey (Boratav 2011, 40; Aysan and Ozmen 1981, 33).

A State-Led Model of Development (*Etatism*): 1930-1945

Since the 1908 Young Turk Revolution, the ITC and CHP governments provided as much support as they could to the emerging national bourgeoisie in order to achieve capitalist development and industrialisation. The impact of the Great Depression, however, led to the recognition by state authorities and emerging bourgeoisie that industrialization and capitalist development would require more direct state investment (Marois 2012, 48; Boratav 2011, 61-62). Three key reasons deserve emphasis in this context. First, the Great Depression exposed the vulnerability of the primary goods-based development model when the volume of trade and crop prices declined (Keyder 1989, 131; Marois 2012, 48) as well as enhanced the relative freedom of the Turkish state from external influence (Aydin 2005, 26). Second, the national bourgeoisie (especially commercial capital) showed that it was not powerful and interested enough to benefit from the opportunity that emerged out of the crisis to move towards an industrial-based capital accumulation model (Gulalp 1993, 31; Savran 2011, 155). Third, foreign capital did not seem to be interested in embarking upon significant investment projects in Turkey partly due to its own problems (Savran 2011, 155). As a result, a state-led model of development (*etatism*) took hold and was characterized by the growth of large-scale production units. The state assumed major responsibility for initiating a transition from primary goods-based development to an industry-based model, and established SOEs for that

purpose (Boratav 2011, 70; Ahmad 1993, 97; Yalman 2009, 164). State industrial investments doubled from TL 10 million annually during the period 1927-1930 to TL 20 million during the 1930s (Tezel 1999, 79).

Contrary to strong state tradition literature, the state-led model of development should not be seen as a project of bureaucratic Kemalist elites to protect their status and material interests against emerging bourgeoisie.¹⁸ Moreover, contrary to liberal idealisations, the state-led model of development could not be seen as a negative interference to a perfectly working market mechanism that was capable of resolving all economic, political, social and ecological problems.¹⁹ Rather, state-led development appeared as the precondition of development of capitalism (Savran 2011, 157; Savran 2002, 8). It had been conditioned by a determination to enhance the prospects for private accumulation. The relations between state and private sectors were complementary rather than antagonistic. This is because state authorities established SOEs in sectors where domestic capital was unable and unwilling to enter, but were indispensable to overall industrialisation (Aydin 2005, 27; Yalman 2009, 163).

The power bloc involved and benefited from state-led development efforts. At the time, the power bloc was composed of different bourgeoisie fractions such as big landowners, agricultural capital and commercial capital and was organized within the state under the leadership of Kemalist cadres (Boratav 1974, 240-241; Ozturk 2010, 58; Sonmez 1978, 58). The commercial capital (including Is Bankasi, Koc, Yasar, Akkok and Borusan groups) had gained benefits by selling SOE products in the domestic market and bidding for state investment tenders throughout the decade. For instance, Vehbi Koc was selling products of SOEs like Karabuk Iron and Steel. The large landowners and agricultural capital (including Cukurova and Sabanci groups) had benefited by selling their agricultural products to SOEs, when export markets were in crisis. For example, Haci Omer Sabanci was selling his company's agricultural goods

¹⁸ For strong state tradition literature, see Caglar Keyder (1989), Faruk Birttek (1985), and Ayse Bugra (1994). Strong state tradition literature interprets etatism as the project of bureaucratic elite to protect its status, interest and privileges against emerging bourgeoisie.

¹⁹ For liberal idealisations, see Bela Balassa (1982), Milton Friedman (2002), and Friedrich Hayek (1944).

(i.e. cotton and wool) to state textile factories above world market prices (Baskaya 2012). Industrial capital was also gaining in power, although not enough to have a representation within the power bloc and state. More than 200 private industrial establishments came into operation between 1936 and 1938 (Tezel 1999, 80).

To prevent a society ridden with class conflicts during the state-led development, the CHP enacted a series of labor laws and prohibitions that severely curtailed the rights of workers to strike and to collective organization on the basis of class. What worker organization the CHP allowed was channelled through the state apparatus as a form of corporatism (Yalman 2009, 173; Marois 2012, 49). But the formation of a disciplined and oppressed working class hardly meant the state's lack of responsiveness to the demands of the business community in particular. The *etatist* policymaking during the 1930s witnessed the ever-increasing role of the business community in the key decisions regarding both the construction of the institutional framework of the economy and the allocation of resources (Yalman 2009, 173). For example, different elements of the Turkish business community pressured the CHP government to force Mustafa Seref, the Minister of Economy, to resign because they perceived him as too arbitrary and statist-minded. The CHP responded to the demands of the bourgeoisie and replaced Mustafa Seref with the more business-friendly Celal Bayar, who had become responsible for institutionalizing a state-led development project and establishing several SOEs between 1932 and 1939 (Kuruc 1999; Boratav 1974, 258-259). This incident is known as the 'Yalova Operation' in the Turkish political economy history.

The state-led development project had found ideological and policy expression in the first five-year industrialization plan (FFYIP; 1934-1938) prepared by a cadre of elite state authorities (including Celal Bayar) with the support of Soviet and American experts. The plan suggested that Turkey should undertake an import substitution strategy based on state enterprises that process domestically available raw materials. This strategy aimed at protecting agricultural and mining sectors from falling crop prices in the world market, and reducing Turkey's needs for imported basic consumption goods. The CHP government created two development banks –Sumerbank and Etibank- to

organize and finance implementation of the FFYIP. Both entities acted as state-owned holding companies with minor banking functions, rather than state-owned banks as their titles might have suggested. Sumerbank was set up in 1933 and took over the factories formerly run by the Turk Industry and Mining Bank, to which were added the majority of the new textile and paper plants established under the FFYIP (Hale 1981, 57; Boratav 1974, 267). Etibank was created in 1935 with primary responsibility for the state enterprises operating in the mining, chemicals and electricity industries (Boratav 1974, 282).

The FFYIP focused on five main industrial categories: textile, mining, paper, ceramic, and chemicals (Inan 1972; Hale 1981, 56). The priority was primarily on the textile industry. Nearly half of the investment budget was spent on the textile factories - TL 20 million out of a TL 41 million budget.²⁰ As such, between 1935 and 1937, Sumerbank established four textile factories in various parts of Anatolia to manufacture cotton clothes and wool fabrics (Inan 1972; Tuna 2009). Besides textiles, one-quarter of planned investment went into mining, 12 per cent to paper industry and 5 per cent each for the ceramic and chemicals industry (Birtek 1985). In the mining industry, the Karabuk Iron-Steel plant was the biggest investment. As Turkey's first integrated iron-steel plant and the largest subsidiary of Sumerbank, Karabuk used domestically extracted iron ore and coal to meet Turkey's iron and steel needs (as elaborated on in chapter 5). Moreover, Etibank established the Keciborlu Sulphur factory in 1935 to put the sulphur reserves of the Keciborlu region into good use (Seker 2010). In the paper industry, the most important investment was the Izmit Cellulose and Paper factory, which was established by Sumerbank in 1936 (Kurkcuoglu 2005). In the ceramic industry, Sumerbank and the Is Bank joined together to build the Pasabahce glass factory in Istanbul, where raw materials such as glass sand and lime powder were available in abundance. The Pasabahce factory met Turkey's entire needs of soda glass and household glassware at the time. In the chemicals industry, Etibank established several small-scale superphosphate and chlorine factories in 1938 (Inan 1972). The implementation of FFYIP was very

²⁰ The total budget of FFYIP was originally TL 40 million, but it first increased to TL 65 million and then to TL 100 million.

successful. At the close of the plan in 1938, nearly all of the targets were fulfilled (Birttek 1985).

Two policy targets were indispensable to the success of the FFYIP: (1) the nationalization of foreign-owned infrastructure services and mines, and (2) agricultural support to the popular masses. First, the CHP government believed that concessionary foreign companies were not running mines at full capacity. Instead, foreign companies were in search of speculators to transfer mining concession licenses. This speculative activity, according to the government, caused most of the mines to stand idle (Boratav 1974, 278). By nationalizing them, the CHP government was aiming to organize mines in the service of newly created SOEs. The government nationalized most of the coal, iron ore, copper and sulphur mines, and transferred them to the control of Etibank. Amongst these nationalized companies were the Eregli Coal Company, Keciborlu Sulphur Company, and Ergani Copper Company that were purchased from French and German capital (Quataert 2006, 29; Boratav 1974, 282). In this way, coal obtained from Eregli supported the operations of the Karabuk Iron-Steel enterprise, whilst sulphur extracted from Keciborlu was used in the Keciborlu Sulphur Company.

The CHP also nationalised foreign-owned railways to help state enterprises to acquire raw materials and transport finished products conveniently with subsidized prices (Boratav 1974, 269). For example, the Adana railway line was vital to transport cotton from the Cukurova cotton farms to state-owned textile factories of Sumerbank. The nationalisation of these railway lines, however, fuelled a backlash against the CHP from foreign capital and powers. The CHP mitigated such criticisms through a series of announcements that the nationalisation of railway companies did not mean systematic opposition to foreign capital (Boratav 1974, 229-230). To demonstrate good intentions, CHP made an agreement with British officials to allow British companies to participate in the Karabuk Iron-Steel investment project.

Second, the government and state institutions provided support to the agricultural sector. The agriculture sector was vital to the functioning of the state-led development strategy because it was providing inputs to newly

established state-production units such as textile factories (Tuna 2009, 74). The agriculture sector was also important to the reproduction of class hegemony. The sector was employing a large bulk of labour force and the price fluctuations in agricultural crops were directly influencing the daily lives of popular masses. In 1936, the CHP established the Office of Soil Products (TMO) to buy and sell wheat and build grain silos in order to even out the fluctuations in crop prices and output from year to year (Sonmez 1978, 52). The CHP then established the Halk Bank and Halk Sandiklari in 1938, as part of the Ministry of Commerce, to offer small trade credits to wholesalers in order to help them transfer agricultural products from farmers in the countryside to buyers in urban centres more conveniently (Sonmez 1978, 51). The government also converted the Ziraat Bank (Agricultural Bank) into a state-owned bank and increased its capital base to finance agricultural projects besides its previous roles of subsidizing crop prices and providing credits to small farmers (Marois 2012, 48).

The Second World War interrupted the state-led development efforts (Bayar 1996). The CHP government adopted the second five-year industrialization plan (SFYIP; 1939-1943) to establish over a hundred new SOEs to achieve industrial deepening –shifting from the production of basic consumption goods to intermediate goods. However, the government had to abandon the SFYIP entirely due to two main factors. First, the military expenditures stemming from war preparations dominated the state budget (Boratav 2011, 81).²¹ Second, the war also caused high inflation, black marketing and speculative activities as the prices of food products and raw materials increased significantly. This led to growing tensions between the wealth appropriating classes (domestic capitalists and, to some extent, the state elite) and wealth-producing classes (popular masses including workers and the peasantry). On the one hand, the war profiteering helped agricultural and commercial capitalists, which controlled the production, distribution and export of food products and raw materials, to accelerate their rates of accumulation (Ozturk 2010, 61; Gulalp 1985, 336). The establishment of new banks such as Yapi Kredi Bankasi, Garanti Bankasi and Akbank, and insurance companies like

²¹ The military expenditure constituted 60% of the state budget during the war years (Boratav 2011).

Dogan Sigorta and Halk Sigorta by commercial and agricultural capitalists late in the war demonstrates this reality (Ozturk 2010, 61). On the other hand, Turkey's popular and working classes felt the direct impact of wartime conditions through a public wage freeze, food price increases, and black marketing (Boratav 2011, 80).

The Turkish state played a crucial role in actively mediating tensions between domestic capitalists and the popular classes rather than simply registering in itself (Yalman 2002, 13-14; Bedirhanoglu and Yalman 2010, 108-109). The state thus introduced a new range of economic measures of intervention to control speculative wealth accumulation of capitalists and to prevent inflationist pressures and wartime profiteering exceeding the toleration level of masses (Boratav 2011, 83). The CHP government of Refik Saydam (1939-1942) passed the National Defence Law (*Milli Korunma Kanunu*) in 1940 as a first measure. This law gave the government extensive emergency powers to control prices and the supply of goods in the market, sequester property and private establishments temporarily, and enforce compulsory labour (Hale 1981, 59-60; Boratav 2011, 84).²² The CHP government of Sukru Saracoglu (1942-1946) then introduced the Property Tax (*Varlik Vergisi*) as a second measure in 1942. In theory, this had the aim of soaking up part of the windfall profits gained by speculative activities in the inflationary wartime conditions, and was to be applied on a non-repetitive basis to wealthy segments of the population (Hale 1981, 70-71). In practice, however, local evaluation committees did wealth assessments according to arbitrary criteria. Assessments for non-Muslim minority bourgeoisie were far higher than for the Muslim-Turk bourgeoisie of Anatolia (Boratav 1974, 341; Ozturk 2010, 60). Of the total TL 315 million collected, 53 per cent was paid by non-Muslims, 36.5 per cent by Muslims and 10.5 per cent by foreigners (Hale 1981, 70-71). In this way, the Property Tax achieved two political objectives. First, it diverted discontent of the masses from the government and Muslim-Turk capital to non-Muslim minority capital. Second, it completed the process of nurturing the national bourgeoisie class by replacing the non-Muslim Istanbul bourgeoisie (the last remnants-stronghold of

²² For example, the government sequestered private establishments such as Ankara Cement Factory, Zeytinburnu Cement Factory, Tuzla Brick Factory, and forced compulsory labour especially in mines such as Zonguldak coalfield and Soma, Degirmisaz and Tavsanlı lignite mines.

formerly strong non-Muslim bourgeoisie) with Anatolia's nouveau riche. These Anatolian capitalists included Vehbi Koc and Hacı Ömer Sabancı, which accumulated significant amounts of capital by trading agricultural products during the war years and started to head towards Istanbul (Boratav 1974, 305-306; Boratav 2011, 88).

By the end of World War II, Turkish society was radically transformed from a non-capitalist subsistence production basis, operating under the dominance of foreign capital, to a capitalist society defined by emerging national bourgeoisie and effective state apparatus geared towards national capitalist development. Wage labour, national bourgeoisie, and state enterprises became institutionalised as capitalist social relations and assumed an undeniably important influence over everyone's lives and society's natural developmental trajectory.

3.2. The Post-War Expansion of Capitalism in Turkey: 1946-1980

In the wake of World War II, as the basic outlines of the post-war international economic order were emerging, the question of Turkey's capitalist expansion was coming onto the agenda (Yalman 2009, 176). I argue that the policymakers and bourgeoisie seemed to be confronted with two important questions throughout the postwar capitalist expansion: (1) how to reintegrate the Turkish economy into the liberalising world economy, and (2) how to reorganize fields of activity between the state and private sectors whilst maintaining the target of industrialisation (Yalman 2009, 185; Aydin 2005, 27). After a decade of liberalisation and anti-state discourse (from 1946 to 1954) where the policymakers and bourgeoisie pushed for liberalized foreign trade and the retreat of the state economic activity, Turkey shifted towards a strategy of import substitution industrialisation (ISI). The ISI strategy was based on the protective foreign trade regime and expansion of the state sector in intermediate goods and infrastructure sectors to serve the emerging private industry (Ahmad 1993, 117; Savran 2002, 10; Boran 1975, 90-98). Following the 1960 military coup, the ISI strategy gained planning and social justice dimensions within the

mixed economic framework (Ozturk 2010, 83-84; Yalman 2009, 214). But as postwar Turkish capitalism expanded, so appeared new forms of intra-class and inter-class conflicts (Marois 2012, 58; Cokgezen 2000, 529-530). Despite precautionary measures, the limits to the ISI strategy and mixed-economic framework became too apparent by the mid-1970s. Below I will explain this historical process in detail.

The Period of Liberalisation and Anti-Statist Discourse: 1946-1954

During the war years a new Turkish commercial bourgeoisie, composed of rich landlords and merchants, gained strength by engaging in speculative activities (Marois 2012, 53). Beginning in the mid-1940s commercial capital pushed for more market-oriented strategies of development (Boratav 1974, 357). For example, the Merchant Association (*Istanbul Tuccar Dernegi*) formed an anti-statist discourse to favour the retreat of the state from activities that had hitherto been the exclusive domain of the public sector and strived for a private-led economy where the state would regulate economic activities indirectly (Yalman 2009, 185). Among the bourgeoisie and policymakers, the burden of SOEs on the state budget and their privatisation were among the most discussed topics of the time (Bugra 1994, 179). The desire for change was also supported by the demands for more political power from pro-market political elites, small farmers, and students (Marois 2012, 53).

Building on this discontent the newly formed Democratic Party (DP – *Demokrat Parti*) broke with the CHP leadership and established links to these groups. Throughout the late 1940s, the DP campaigned around forms of foreign trade liberalization and anti-statist discourse. In 1950, the DP won the general election and then spearheaded an early liberal experiment; however, the political and economic differences between the DP and CHP should not be overplayed. For example, the authoritarian form of the state remained intact despite a change in the government. More importantly, the change of government neither involved any change in the balance of class forces within the Turkish power bloc nor in the ascendancy of working-class power. The post-1945 foreign trade liberalisation and anti-statist discourse was more about creating a development

project that was based on private capital accumulation and which could ease Turkey's integration into the post-war international economic order (Marois 2012, 53; Yalman 2009, 176-200).

In the early years of 1950s, the DP government removed import restrictions and liberalized foreign trade in order to integrate into the world economy. The economic programme of DP at that time was based on an exchange of Turkish primary goods for imported foreign manufactured goods, and large infrastructure investments (Gulalp 1993, 33-34). This programme, which reconciled with the post-war international economic order and American strategy, was supported by official bilateral aid framed by the American military Truman Doctrine and the economic Marshall Plan (Aydin 2005, 28; Marois 2012, 53). Thanks to the bilateral aid and post-war demand for food in Europe, importing foreign manufactured goods did not create any large trade imbalances for Turkey. As a result, Turkey experienced a significant growth rate of 13 per cent a year between 1950 and 1953 (Ahmad 1993, 116).

At the same time, the DP attempted to reorganize fields of activity between the state and private sectors. In his government programme of 1951, Prime Minister Adnan Menderes declared that the state undertakings other than those engaged solely in fields related to basic industries and having a public service character should be turned over to private firms (Hale 1981, 88; Sonmez 1978, 64). The DP also established a 'Special Commission' to select suitable SOEs and explore alternative ways for their sale to the private sector (Aysan and Ozmen 1981, 39). In spite of anti-statist discourse and privatisation efforts, none of the SOEs were actually transferred to private hands. On the contrary, the DP expanded the state sector to twice the size in which it had found it (Taylan 1984, 12; Boratav 1974, 359).

This demonstrated that the debates on the role of state and attempts to privatize some SOEs were more a demand for initiating different forms of state intervention rather than a desire to sever the links between the state and economy (Yalman 2009, 191). First, the Turkish bourgeoisie was neither interested (Bugra 1994, 179) nor powerful enough to buy those SOEs (Boratav 1974, 359). Second, rather than weakening its ties to the state, domestic Turkish capital wanted to prosper alongside an effective capitalist state with different

forms of intervention (Marois 2012, 53; Yalman 2009, 176-200). The business community urged the state to adopt a policy stance of 'getting prices wrong' to protect domestic production and consumers through cheap products and subsidized transport (Yalman 2009, 186; Baskaya 2012, 291). The business community was also allowing the state to appropriate part of the surplus so as to channel it into productive investments such as making infrastructure investments and participating in PPPs (Yalman 2009, 187; Aysan and Ozmen 1981, 41). This could be seen as evidence of key importance of a large state capitalist sector for development of capitalism in countries like Turkey (Taylan 1984, 12).

The Shift to ISI Strategy: 1955-1960

The DP government's more liberal foreign trade began to collapse when poor harvests led to the balance of payments problem by the mid-1950s (Marois 2012, 55). This created a crisis in investment financing and domestic production, because Turkey was unable to import raw materials, capital goods and intermediate products needed for agricultural and industrial production (Ahmad 1993, 117). The representatives of the business community were becoming increasingly effective in articulating their support for restrictive import regime and effective state, especially in the area of intermediate goods production (Yalman 2009, 204-205). Within this context, the DP government abandoned its commitment to liberal foreign trade and passed measures to restrict and substitute imports. The DP government also gave up its statist discourse and geared state capacity and resources to invest in intermediate goods production (Ozturk 2010, 64). It was in this environment of a protected market that the Turkish bourgeoisie turned to industry on a mass scale for the first time, while the effective state apparatus stepped up in the areas of intermediate products to serve private sector interests (Savran 2002, 10; Boran 1975, 90-98).

This was a case of import substitution industrialisation. The commercial capitalists, who previously imported and sold consumer durables to the domestic market, were turning into the manufacturers of these goods. Turkey thus began to witness the emergence of an industrial bourgeoisie engaging in

import substitution during the late 1950s (Savran 2011, 162-163). Vehbi Koc and Haci Omer Sabanci are two good examples of these would-be industrialists (Ozturk 2010, 61). Vehbi Koc founded Arcelik in 1955 to manufacture steel office furniture and home appliances, such as washing machines and refrigerators. He then established Turk Demir Dokum to manufacture cast iron boilers, radiators and gas water heaters. His automotive journey, which started in 1928 as a distributor of Ford automobiles, also gained an industrial dimension with the foundation of the Ford Otosan factory in 1959 (Koc 1983, 77-85). In a similar way, Haci Omer Sabanci turned towards industry during the mid- and late-1950s. For example, he established Bossa to print and produce textiles, and Toroslar to produce margarines (Ozturk 2010, 61).

The state policy was geared to sustain this ISI strategy. As part of this, state investments were stepped up in the area of intermediate product sectors such as electricity, petroleum, iron-steel, cement, coal and paper (Gulalp 1985, 337). The share of state investments in total investments increased from 38.7 per cent in 1950 to 45.5 per cent in 1960 (Tuzun 1999, 153). First, Etibank made significant efforts to improve the electricity infrastructure of major centres (e.g. Adana, Izmir, Istanbul) in order to provide necessary electricity energy for industrial production. As a result, total electricity production rose threefold in a period of ten years (Sonmez 1978, 67-68; Baskaya 2012, 289). Second, the DP established TPAO in 1954 as a vertically integrated petroleum company to operate across the entire supply chain, from production to refinery and distribution of petroleum products (as elaborated on in Chapter 6). Third, the government founded the TDCI (Turkish Iron and Steel Enterprises; *Turkiye Demir Celik Isletmeleri*) in 1955 to take over the Karabuk Iron and Steel from Sumerbank and Divrigi-Hekimhan Iron Mines from Etibank to create a major enterprise specialising solely in iron-steel production (Kepenek 1990, 41). Fourth, the TCI (Turkey Cement Industry; *Turkiye Cimento Sanayi*) was founded as a SOE in 1953 to build cement plants, participate in private cement plant investments, and provide credits for cement investments. Due to efforts of the TCI, the cement production of Turkey rose from 0.9 million tonnes in 1956 to 2 million tonnes in 1960 (Sonmez 1978, 73; Yerasimos 1976, 1393). Fifth, the DP founded the SEKA (Turkey Cellulose and Paper Factories; *Turkiye Seluloz ve*

Kagit Fabrikalari Isletmesi) in 1955 to satisfy the paper and stationary needs of the private sector (Aysan and Ozmen 1981, 283-285).

Foreign capital significantly contributed to the bourgeoisie and state's efforts to turn to industry on a mass scale. There are two interrelated dynamics at work here. First, in contrast to the policies of the 1930s, Turkish governments started to relax controls on foreign capital in the post-war era. Consecutive CHP governments took their first steps in 1947 and in 1950. The DP government then carried on relaxing controls by enacting the Law for the Encouragement of Foreign Capital in 1954 (Boratav 1974, 364; Boratav 2011, 100). Second, the productive capital of developed countries entered into the process of expansion and internationalisation, and had begun to search for direct industrial investments in the developing countries (Aydin 2005, 30). These two factors enabled foreign capital to involve Turkey's post-war industrialisation process (Gulalp 1985, 337).

One form of cooperation between foreign capital and the Turkish private sector occurred through licence agreements, patents and technical know-hows. The typical example of this was Ford Otosan, where foreign capital not only provided technical know-how to the Koc Group, but also participated as an investment partner. Even the state-owned Sumerbank collaborated with the German Mannesmann to establish a steel tube-pipe manufacturing factory to produce materials needed to transport and store crude oil and liquid petroleum that was vital for industrial expansion at that time (Seni 1978, 48-49). Another form of cooperation between foreign capital and the Turkish private sector emerged through TSKB (Industrial Development Bank of Turkey; *Turkiye Sinai Kalkinma Bankasi*), which was founded in 1950 with the support of the World Bank. Many industrial establishments of the 1950s were founded with the credits and participation of TSKB. Some of these were: Aksu Textile of Akkok Group, Bossa Textile of Sabanci Group, Demir Dokum of Koc Group, and DYO of Yasar Group (Ozturk 2010, 72; Keyder 1989, 173).

The Period of Planning and Mixed Economy: 1960-1980

The 1958 economic crisis and polarization of society demonstrated that the situation was far from perfect. The DP government, under the influence of landowners and merchants, had some difficulties putting industry (over agriculture) and planning (over arbitrary governing) at the top of its list of priorities (Oguz 2008, 93). Therefore, new but well organized modernizing fractions of urban industrial capital slowly dissociated themselves from the class alliance represented by the DP (Marois 2012, 55; Taylan 1984, 13).²³ The urban intellectuals and student movements were also discontented with different aspects of DP rule, such as the alleged violation of secularism and increasing resorts to repressive measures following the general slowdown in economic activity (Gulalp 1985, 338; Taylan 1984, 13). As Yalman stated:

“These developments together signified a crisis of hegemony and polarization as they entailed the breaking of the representational ties between the different elements comprising the Turkish power bloc and the DP government as well as the inability of any element or fraction of the power bloc to form a leadership and initiate the necessary economic policies for the well-being of the society as a whole (2009, 202)”.

The turbulence culminated in the 27 May 1960 military coup that was openly supported by the industrial bourgeoisie and orchestrated by young military officials (Marois 2012, 55). Out of the social struggles and coup emerged the 1961 Constitution that strengthened the position of industrialists within the power bloc and state, and introduced new powers for dominated classes. This meant the introduction and institutionalization of mixed economy imperatives such as planning (interest of industrialists) and social justice (interest of dominated classes) within the state apparatus and its regulatory and distributive framework (Marois 2012, 55; Yalman 2009, 212). In short, the 1961 constitution and mixed economic framework could be seen as the linchpin of a new hegemonic strategy that strived to realize both economic development and social justice (Yalman 2009, 214).

The social justice dimension of the mixed economic framework involved emphasizing a range of political and civil liberties, as well as social and economic

²³ This should not be understood as that the DP government was essentially an alliance of the landowners and merchants who were opposed to the industrialization of the country.

rights to help diffuse power across Turkish society (Marois 2012, 55). The 1961 Constitution provided the legal framework for dominated classes to establish their own economic and political organisations. This included the rights to form trade unions, to free press, to engage in collective bargaining and to strike, which were largely absent until this point in time (Yalman 2009, 212; Taylan 1984, 17; Gulalp 1985, 338). The planning dimension of a mixed economic framework mitigated the fears of Turkish industrialists through building state capacity to prioritise the interests of industry and manage contradictions of ISI. First, the new constitution introduced a system of controls on party politics to restrict the powers of the rurally based majority (e.g. influence of landowners) in parliament through various checks and balances such as a Constitutional Court with extended powers (Taylan 1984, 17). Second, ISI policies attempted to be pursued in the framework of five-year development plans as a means to coordinate the activities of different units of production and guide economic development (Ozturk 2010, 83-84; Marois 2012, 55). Third, the SPO (State Planning Organization; *Devlet Planlama Teskilati*) was set up in 1961 as a specialized economic agency and charged with a duty of managing the five-year development plans (Gulalp 1985, 338; Oguz 2008, 151).

The first five-year development plan lasted from 1963 to 1967, the second from 1968 to 1972, and the third from 1973 to 1977. These development plans under a mixed economic framework were substantially different from the development plans of the state-led development of the 1930s. The earlier plans were (1) based on domestic inputs, (2) depended heavily on the state sector to undertake industrial investments, and (3) oriented to the production of basic consumer goods for a mass market with little participation of foreign capital. The latter plans were (1) based on both domestic and imported inputs, (2) depended on the private sector to undertake industrial investments, wherein SOEs served the private sector interest by producing intermediate goods (e.g. petroleum, iron-steel, cement) and providing investment capital, and (3) oriented to the production of durable consumer goods for a relatively high-income market with significant participation of foreign capital (Gulalp 1985, 338-339; Taylan 1984, 15). Private industrialists were also effectively protected from international competition by the simultaneous use of tariffs, quantitative restrictions and SOE

support (Taylan 1984, 16). The typical example is the Koc Group. Koc made joint ventures with foreign multinationals Ford, Fiat and Siemens during 1960s and 1970s to produce consumer durables, such as automobiles and electrical devices, by taking advantage of the protected business environment and subsidized intermediate goods from state enterprises (Sonmez 1987, 66-74).

The state was entrusted with important duties within the mixed-economic framework that included producing intermediate goods, accelerating infrastructure investments, and supporting private capital formation (Yalman 2009, 219). First and most important, the state turned more and more to those industries that produced intermediate goods such as iron and steel, aluminium, petroleum products and paper, while private industrialists were gradually orienting to the production of durable consumer goods (Taylan 1984, 15; Ercan and Tuna 2007, 383-384). The state assumed majority ownership in intermediate goods industries and spent around 35% of the total state budget throughout 1960s and 1970s. This is not only because the growing private industry needed intermediate products but also because the establishment of these industries required great capital, large organization and high risk taking where private capital did not, and could not, satisfy (Ozturk 2010, 83-84; Ercan and Tuna 2007, 398-400). A good example is the establishment of Erdemir (Eregli Iron and Steel; *Eregli Demir Celik*) as a state-owned iron-steel enterprise in 1965 (elaborated on in Chapter 5). The establishment of Erdemir corresponded with the increasing number of private companies using iron and steel products as their inputs. Some of these companies were: Arcelik (1958, consumer electronics), Gazal (1961, gas tanks), Otoyol (1966, truck and tractors) and Tofas (1968, automobiles) of KOC Group; Celik Halat (1968, steel wires) and Oyak Renault (1971, automobiles) of OYAK Group; BMC Turkey (1965, bus and truck) and Celik Montaj (1965, motorcycles) of ANADOLU Group (Seni 1978, 51-53; Sonmez 1987, 15-20).

Other examples of state activity in intermediate goods industries were the expansion of TPAO, Etibank and TCI. TPAO expanded its petroleum refinery capacity over the 1960s and 1970s to satisfy Turkey's increasing petroleum consumption (elaborated on in Chapter 6). TPAO also established the Petkim (Petkim Petrochemical Complex; *Petkim Petrokimya Holding A.S.*) in 1965

(Yeldan 2005, 17).²⁴ Petkim produced a wide range of petro-chemical products that were needed by private industrialists such as Cukurova Group (chemical industry), Eczacibasi Group (pharmaceutical industry), Sabanci Group and Dinckok Group (textile industry) (Sonmez 1987, 17-21). Etibank established mineral-processing plants such as Seydisehir Aluminium, Bandirma Boric Acid and Karadeniz Copper to process domestically available minerals and offer them to Turkish industry (Cumhuriyet Senatosu 1970, 485; Cumhuriyet Senatosu 1976, 441). TCI also established four more cement plants in various parts of Turkey during the 1960s to support the industrial expansion and construction projects of the private sector (Cumhuriyet Senatosu 1964, 910; Cumhuriyet Senatosu 1967, 1135).

Second, the state accelerated its infrastructure investments through state enterprises and agencies to meet the increasing needs of capitalist expansion in Turkey. One priority area was electricity (see chapter 7 for communication and transportation sectors). On the one hand, the DSI (State Water Works –*Devlet Su Isleri*) invested in dams and hydroelectric power plants throughout the 1960s and 1970s (Cumhuriyet Senatosu 1970, 484; Cumhuriyet Senatosu 1971, 420).²⁵ On the other hand, Etibank and TEK (Turkish Electricity Administration; *Turkiye Elektrik Kurumu*) expanded the numbers of thermal power plants (Cumhuriyet Senatosu 1970, 484-485; Cumhuriyet Senatosu 1976, 444).²⁶ As a result, the total electricity production of Turkey significantly increased from 2.81 billion kilowatts per hour in 1960 to 18.60 billion kilowatts per hour in 1976 (Cumhuriyet Senatosu 1970, 482-483; Cumhuriyet Senatosu 1977, 671). This was made possible by the large resources dedicated to the Ministry of Energy. On

²⁴ TPAO had 55% of the Petkim shares.

²⁵ Sariyer hydroelectric power plant established in 1967 as Turkey's first hydroelectric power plant. Dogan-Kent and Kovada plants began operation in 1971 with 74 million and 200 million kilowatt-hour yearly energy production capacity respectively. The construction of Keban Dam began in 1965 and was finished in 1975. It produced 5.5 billion kilowatt hour energy per year. The Gokcekaya Dam finished in 1972 with a capacity of 562 million kilowatt hour energy production per year.

²⁶ Hopa power plant had a capacity of 300 million kilowatt hour energy yearly to satisfy the electricity needs of the North Eastern Anatolia region. The Seyitomer power plant was established to use lower quality lignite to produce 1.8 billion kilowatt hour energy yearly. The Ambarlik power plant expanded in 1971 by adding two more units (one with 110 megawatt and the other with 300 megawatt yearly). Construction of the Elbistan-Afsin power plant began in 1972 to make use of lignites in the region and was finished in 1984 with a capacity of 600 megawatt yearly.

average, the investments of the Ministry of Energy accounted for the 35 per cent of total public investments over the late-1960s and 1970s (Cumhuriyet Senatosu 1971, 410; Cumhuriyet Senatosu, 1976, 430).²⁷

Third, the state institutions and SOEs supported private capital formation with the '*istirak*' (participation) mechanism. '*Istirak*' was defined as joint stock companies with equity participation of state institutions and SOEs within 15-49 per cent (Gultekin 1993, 48). One political intention of the '*istirak*' mechanism was to provide credit to industrialists in order to remedy their difficulty in meeting growing needs for investment capital. Another intention was to provide state guarantees to private investments with the expectation that this would encourage industrialists to take a more aggressive role in expanding Turkish capitalism (Kepenek 1990, 114-116). The private industrialists welcomed the '*istirak*' mechanism. The number of SOE-private sector participations rose from 72 in 1962 to 281 in 1984 (Sonmez 1987, 120). Koc Group, OYAK, and Is Bank benefited most from the '*istirak*' mechanism among the growing industrialists. Koc Group established Arcelik with 15 per cent equity participation of the DMO (State Supply Office; *Devlet Malzeme Ofisi*), Turk Traktor with 45 per cent participation of Ziraat Bank, Tofas with 23 per cent participation of MKEK (Mechanical and Chemical Industry Institution; *Makine Kimya Endustrisi Kurumu*) and Tat Canned Goods with 25 per cent participation of Turkey Sugar Factories (*Turkiye Seker Fabrikalari*) (Sonmez 1987, 122). Is Bank entered into the electricity industry with equity participation of the Turkish Electricity Institution. OYAK started to operate within the cement industry with equity participations of the state-owned Turkish Cement Industry (Sonmez 1987, 124-125).

It was the duty loss (*gorev zarari*) mechanism that institutionalized and made state support to industrialists possible. The SOEs were organized around legally mandated development strategies and duties that were not completely profit-oriented (Marois 2012, 57). This enabled them to channel resources into the capitalists in the form of subsidized intermediate products, equity participation, cheap credits, and so on. If any SOE product was sold to the private sector below the cost of production, the difference was considered as duty loss

²⁷ DSI, Etibank and TEK were connected to the Ministry of Energy.

and was paid by the government to the SOE budget (Kepenek 1990, 126). In 1976, Petkim was selling PVC products to industrialists for a price of TL 12.5 thousand, when the cost of producing PVC was TL 14 thousand. In a similar way, Etibank was selling copper 12 per cent below the production cost, while Seydisehir Aluminium was selling aluminium products 28 per cent below the production cost (Sonmez 1987, 120).

Duty losses were not only in favour of industrialists. Duty losses also benefited the organized labour and dominated classes in terms of higher wages, employment opportunities and cheap consumption goods. While the SOEs were making duty losses, the number of total SOE workforce increased from 321,000 in 1967 to 550,000 in 1977. Moreover, the real wage per SOE worker, which were approximately 25 per cent higher than private sector worker, also rose by 95 per cent in the same period (Kepenek 1990, 95-100). Furthermore, some duty losses relate to agricultural support and loan write-offs for struggling Turkish farmers (Marois 2012, 118). In the case of dominated classes, the intention goes beyond 'help' insofar as the duty losses directed at SOE workers and agriculture were politically motivated to moderate the balance of power between capital and labour to help mitigate the social conflict arising from state supports to industrialists. In this way, duty losses represented a post-war class compromise between capital, labour and the state to facilitate the stability of capitalist development (Marois 2012, 58).

Increased Centralisation of Capital and Class Conflicts

The protected domestic market and different forms of state supports shielded Turkish capitalists from world market competition (Marois 2012, 56). A small number of productive capital groups following an import substitution industrialisation strategy took advantage of this and acquired a monopolistic and oligopolistic production power within the domestic market (Cokgezen 2000, 528; Sonmez 1987, 43). For example, four capital groups acquired a third of pharmaceutical sector, six companies secured half of the motor land vehicles sector, and two capital groups elevated to a dominant position in the consumer appliances sector (Sonmez 1987, 45-62). Far from repressing the process of

capital concentration and centralisation, the Turkish state authorities abolished legal restrictions to encourage the process as a means of accelerating the private sector investment (Oguz 2008, 94).

The increasing centralisation of capital paved the way for the formation of conglomerates known as 'holding groups' (Oguz 2013). While there were only two holdings during the early 1960s, more than a hundred new holdings were formed between 1963 and 1976 (Ozturk 2010, 92).²⁸ One of the most important characteristics of these holding groups was their geographical distribution. The majority of them, nearly 88 per cent, concentrated their activities and headquartered around three biggest cities of Turkey –Istanbul, Ankara and Izmir (Cokgezen 2000, 530-531). Holding groups also pursued a strategy of gaining control over money-capital through ownership of banks. They knew that without controlling a bank the cost of credit for their group companies remained high. For instance, Koc Holding became a majority partner of Garanti Bank, Sabanci Holding established Akbank, and Cukurova Holding acquired Yapi Kredi Bank (Oguz 2013).

As the Turkish capitalism expanded and these holding groups gained further strength, new forms of intra-class and inter-class conflicts appeared. First, I will look at the intra-bourgeoisie conflicts. The increasing presence of Istanbul based holding groups within the Turkish state and power bloc clashed more and more with the interests of Anatolian small and medium sized enterprises (SMEs) (Marois 2012, 58). The main issues of conflict between Istanbul based holdings and Anatolian SMEs were about the access to SOE inputs, the participation of state institutions to private investments (*istirak*), the distribution of state credits and import quotas (Cokgezen 2000, 529; Oguz 2008, 95). These conflicts found reflection in the official representative level of the Turkish business community (composed of several dominant class fractions) and in the political scene as the plurality of political parties that represented different class interests.

²⁸ Some of the important ones are: Koc Holding (1963), Sabanci Holding (1967), Yasar Holding (1968), Anadolu Holding (1969), Eczacibasi Holding (1970), Kale Holding, Profilo Holding and Tekfen Holding (1972), Alarko Holding, Borusan Holding, Cukurova Holding and Enka Holding (1973).

TOBB (Union of Chambers and Commodity Exchanges of Turkey; *Türkiye Odalar ve Borsalar Birliği*) had served as the only official representative body of the Turkish business community since 1950 (Marois 2012, 58). TOBB had become dominated by SMEs in small cities due to its institutional representation mechanism. According to TOBB's representation mechanism, each local chamber was entitled to at least one seat, but no more than ten (Cokgezen 2000, 530). This rule prevented local chambers around larger cities (e.g. Istanbul and Izmir), which had big holding groups in their membership structure, to dominate the decisions and strategies of TOBB. Therefore, holding groups were not happy within the TOBB structure. Holdings were increasingly evaluating other strategic options and choices for their institutional representation. When the holding groups were considering whether to leave TOBB in the late 1960s, the first major expression of conflict between Anatolian SMEs and holding groups appeared.

This conflict is known as the 'Erbakan Incident' in Turkish political economy circles (Ozturk 2010, 113). Necmettin Erbakan, who spoke of the interests of Anatolian SMEs, was elected as the chair of TOBB in 1968. Even though the ruling AP (Justice Party; *Adalet Partisi*) under Demirel declared the TOBB elections void (Oguz 2008, 96), the holding groups fraction of the business community split from TOBB in 1971 and formed the TUSIAD (Turkish Industrialist Businessmen's Association; *Türk Sanayicileri ve İşadamları Derneği*) (Marois 2012, 58). Since then, TUSIAD had become known as the main representative body of big holding groups headquartered around Istanbul. TOBB, on the other hand, became the representative body of SMEs located mostly in Anatolia (Cokgezen 2000, 531).

These intra-bourgeoisie conflicts and divisions were reflected in the Turkish political scene as well. Since the AP declared TOBB elections void and rejected to accept Erbakan as a party candidate in the 1969 elections, Erbakan and his followers founded a new political party known as the MNP (National Order Party; *Millî Nizam Partisi*) in 1970. The foundational declaration document of the MNP combined Islamic and national rhetoric with references to a glorified Ottoman past (Yukleyen 2012, 58). As such, the party programme criticised Turkey's relations with the West and stressed opposition to Turkey, forming closer relations with the European Economic Community (Jenkins 2008, 132).

This was in contrast with the political project of Istanbul-based holding groups supporting Turkey's integration with Europe and the Western capital. This signalled a polarisation of the political scene. The holding bourgeoisie acquired dominance within the AP and favoured Turkey's orientation towards the West, while the Anatolian SMEs developed strong ties with the MNP (Taylan 1984, 26). One example of this polarisation could be seen in the debates involving the establishment of the Petlas Tire Factory. The MSP (National Salvation Party; *Milli Selamet Partisi*)²⁹ wanted to establish Petlas in Kirsehir in Central Anatolia to support development of the Anatolian capital, but the AP and the holding bourgeoisie insisted that the Third Five-Year Development Plan had already projected Petlas' site of establishment as Izmit –near Istanbul (Cumhuriyet Senatosu 1977, 643, 674).

Class conflicts also appeared between Turkish capitalists and workers throughout the 1970s. There are four main factors that explain why and how capital-labour relations entered into conflict. First, as the import substitution industrialisation strategy expanded and deepened the number of workers in the manufacturing industry rose threefold (Ozturk 2010, 123). Second, by the end of the 1960s there was a growth in the strength, militancy and radicalisation of the Turkish labour movement. The process started when three unions split from TURK-IS (Confederation of Turkish Trade Unions; *Turkiye Isci Sendikolari Konfederasyonu*), which saw the first union confederation of Turkey established in 1952. In 1967, these three unions along with two independent unions formed DISK (The Confederation of Revolutionary Trade Unions of Turkey; *Devrimci Isci Sendikolari Konfederasyonu*) (Oguz 2008, 96). In contrast to TURK-IS's policy of "politics of above parties", DISK adopted what is called a "class and mass based unionism" (Akkaya 2003; Blind 2008). Third, the trade unions became increasingly more effective in defending their members' interest. Collective bargaining negotiations between 1974 and 1976, and MESS metal industries strikes between 1977 and 1978, showed how effective the working-class could be (Cumhuriyet Senatosu 1976, 312; Ozturk 2010, 124). Vehbi Koc writes in his memoirs: "For me, the mid- and late-1970s were nightmare" (Koc 1987, 60). The

²⁹ After the closure of the MNP, Erbakan founded the MSP in 1972 with a very similar programme and ideological orientation.

daughter of Vehbi Koc and a member of Koc Holding Board of Directors, Suna Kirac, added: "Arcelik does not have any power to endure 8.5 months long of strikes again" (Kirac 2006, 101-102). Fourth, the Turkish bourgeoisie started to see the rising class-consciousness of the working class as a threat to the existing social order. Turkish bourgeoisie thus refused to compromise and accept the rise of the working class movement (Yalman 2009, 218, 232). This choice gave rise to ever escalating class conflicts.

The Breakdown of ISI Strategy and Mixed-Economic Framework

The worsening economic conditions increased and exacerbated an increasingly unstable social and political situation. This made the limits to the mixed economy apparent. Industrialists were struggling to sell their goods because the Turkish market reached a level of maturation, especially for the motor vehicle industry and electronic consumer appliances (Ozturk 2010, 124). Industrialists were also struggling to buy inputs and intermediate products to keep production continuing. One reason was the destabilization of the public finances. For example, Sumerbank began to accumulate a significant amount of duty losses and found it very difficult to sustain the provision of subsidized inputs and intermediate products to private enterprises (Cumhuriyet Senatosu 1976, 289). Another reason was the foreign exchange shortages. Aside from the limited contributions of tourism and workers' remittances, the Turkish economy could not generate enough foreign exchange to purchase either energy or intermediate products necessary for the deepening of ISI strategy. Matters worsened when the declining US economy and the world oil shock of the mid-1970s increased the pressure on foreign currency shortages (Marois 2012, 64).

It is in this context of worsening economic conditions and deepening class conflicts that holding groups (TUSIAD) reasoned that they had already absorbed most of the potential of mixed economic framework. This gave TUSIAD a reason to seek out new openings through integration with the world market (Oguz 2013; Yalman 2009, 240-243). The solution envisaged by TUSIAD was a thorough transformation of the Turkish economy, from mixed economy to neoliberalism, and from an ISI strategy to export-orientation. Neoliberalism, they

believed, would defeat the working class and overcome the problem of increasing working class militancy. The export orientation, they reasoned, would render the industrial sector capable of finding new markets abroad and earning foreign exchange (Gulalp 1985, 341). This entailed a number of serious structural adjustment operations on the society and economy, including the privatization of state enterprises.

3.3. Conclusion

This chapter showed that Turkey had experienced a capitalist consolidation and expansion since the mid-nineteenth century. Contrary to liberal idealizations of self-sufficient capitalist markets and a statist conception of state elites acting against market and social forces, the state and SOEs played active roles to facilitate class hegemony and assist in the capital accumulation at all critical periods of Turkish capitalist development. Advocates of capitalist development within the Turkish state struggled to shape the state and SOEs to provide different forms of support at different periods, depending on historically prevailing strategies of national development (for example, foreign capital-led, private-led, state-led, mixed economy) and social relations of power. In this way, the active state sector and effective SOEs appeared as the preconditions of development of capitalism in Turkey. The Turkish case is, therefore, quite different from the advanced capitalist countries, where the large-scale state sector was the historical product of a long period of capitalist maturation. This would influence the shape of neoliberal transformation to come in Turkey in the 1980s in two important aspects. First, the neoliberal privatisation efforts would have to face the challenge of transforming the age-old dynamic, internal and important relations between SOEs and the Turkish society. SOEs were providing the majority of industrial inputs, infrastructure and investment capital to the private sector, as well as significant employment opportunities and subsidized consumption goods to the popular masses and working class. Second, the intra-bourgeoisie conflicts that escalated in the late 1970s would weaken the capacity of neoliberal advocates to create alliance of unity and compromises over privatisation of SOEs.

Chapter 4 -Variegated Neoliberalisation and Privatisation Experiment of Turkey

Neoliberalism is a project of recomposition of the hegemony of capital in all areas of social life (Saad-Filho 2008, 342). This project denotes a politically guided extension of market rule into previously relatively insulated realms of social life, institutions and actors (Brenner et al. 2010, 184; Peck et al. 2012, 268). In the three decades following the 1980 military coup, the agents and agencies of neoliberalism brought about the market-oriented restructuring of the Turkish state and economy in ways that increasingly favoured their interests. The nature of the state-economy relationship and the Turkish state sector (SOEs) were at the heart of this restructuring, although not always in ways consistent with neoliberalism.³⁰

The privatisation of SOEs has been on the policy agenda in Turkey since 1984. However, the momentum of privatisation gathered significant pace only after the 2001 crisis. This chapter examines how the slow pace of the privatisation process gained significant momentum in the post-2001 phase of neoliberalism. I argue that the privatisation process accelerated in Turkey because different fractions of the power bloc managed to establish contradictory unity towards privatisation under the leadership of the TUSIAD-based holding groups and the representation capacity of the AKP (*Adalet ve Kalkinma Partisi*; Justice and Development Party). The variegated trajectory of the post-2001 phase of neoliberalism has generated two patterned effects that provided a favourable context for this contradictory unity. First, new domestic accumulation strategies that centered on international competitiveness made privatisation indispensable to the bourgeoisie as a whole. Second, new concrete reproduction and profit imperatives (for example, taking over large-scale SOEs to turn into international players for TUSIAD members) made privatisation a preferred option for different fractions of the power bloc and the ruling elites of AKP to institutionalize the conditions for their own prosperity. The united forces of the power bloc and the committed AKP government were not only confronted with

³⁰ Zulkuf Aydin makes the same point for the liberalisation policies in the agriculture sector in Turkey. He says: "Liberalisation policies in agriculture were rather slow and inconsistent through the 1980s and in the early 1990s" (Aydin 2009, 224).

alternative projects formulated by the opponents of privatisation, but also struggled to shape the state and its institutions to institutionalize the social logic of privatisation on the terrain of the state during the 2000s.

I develop this argument in four sections. Section 4.1 looks at the 20 years following the 1980 military coup and explains how advocates of neoliberalism experimented with the variegated neoliberalisation process in Turkey. Section 4.2 examines the limited extent and slow pace of the privatisation process that did occur between 1984 and 2000. Section 4.3 analyses the post-2001 phase of neoliberalism, how the TSE (Transition to Strong Economy) program internalized new competitive imperatives, and how the incoming AKP government managed intra-bourgeoisie and intra-state conflicts. Section 4.4 then discusses the acceleration of the privatisation process in Turkey. Special attention is given to the internal relations between privatisation of SOEs, domestic accumulation strategies and concrete political objectives of social forces. A brief conclusion follows.

4.1. Two Decades of Neoliberal Experiment: 1980-2000

The universalising thrust of neoliberalism is modified by and grafted on domestic circumstances of Turkey in ways that distinguish and differentiate the Turkish neoliberal experiment according to contextually specific neoliberalisation projects, national patterns of accumulation and inherited politico-institutional arrangements (Marois 2012, 108). Turkey's neoliberalisation experiment between 1980 and 2000 has two variegated characteristics. First, the neoliberal experiment in Turkey initially focused on trade relations during the 1980s. Subsequently, it moved to the financial liberalisation during the 1990s (See Yalman 2009, Oguz 2011). A commitment to financial liberalisation generated conflicts within the Turkish bourgeoisie and contributed to the economic instability through the 1990s (Gultekin-Karakas 2009, 128, Oguz 2008, 139). Second, over the first two decades of neoliberal transformation in Turkey, political leadership made limited progress in restructuring the state apparatus to institutionalize the logic of capital (Onis 2011, 714).

Turkey entered the late-1970s with political disorder and economic crisis that manifested itself as the crisis of hegemony (Yalman 2009, 237-241; Ercan 2004, 17). From 1979 onwards, the main representative organisation of the capital, TUSIAD (Turkish Industrialist Businessmen's Association; *Türk Sanayicileri ve İşadamları Derneği*), started to adopt the rhetoric of open and market-oriented economy to recompose the bourgeoisie's political and ideological hegemony (Yalman 2009, 237). The 12 September 1980 coup and the following military rule (1980-1983) historically functioned as the united front of bourgeoisie to smash opposition groups, including the organised working class and leftist intelligentsia. The coup and military rule prepared Turkish society for a path of neoliberal restructuring, predicated on a deeper integration with the world economy and an extension of market rule into all areas of social life (Savran 2002, 15; Ercan 2006, 385).

Neoliberal Restructuring on the Basis of Trade Liberalisation: 1980s

As part of its contextually specific neoliberal restructuring project, Turkish authorities initially strived to integrate into the competitive world market through trade relations. The Turkish business community started to participate in the international division of labour through the lower ranks of the world production hierarchy by specialising in the production and export of labour-intensive consumption goods (Ercan 2002, 5; Oguz 2011, 5). Labour-intensive industries, mainly textiles and clothing, constituted almost one-third of total exports and 52 per cent of total manufacturing exports during the 1980s (Adly 2013, 42).

Successful integration into the competitive world market, even to the lower ranks of world production hierarchy, demanded that Turkey have a relatively cheap labour force and technological hardware capable of producing competitively priced export goods. Turkish state authorities stepped in to smooth the reorientation domestic production to exterior (Yalman 2009, 274; Boratav 2011, 152). First, the Ozal government promoted exports by devaluing the Turkish lira and providing export subsidies (Aydin 2005, 44). Second, the government did not reduce average nominal tariff rates below 40 per cent until

1989 (Yalman 2009, 278-279). Third, the state exercised strict control and supervision over labour relations that led to over 25 per cent decline in the real wage rates between 1980 and 1988 (Oguz 2008, 106-108; Ahmad 1993, 204). As a result, exports as a share of GNP rose from 5.3 per cent between 1972 and 1976 to 10.8 per cent for the period 1983 to 1987 (Boratav et.al. 2002).

However, exporting still remained as a residual activity for the overwhelming majority of the industrialists (Yalman 2009, 273). For example, two of the most outward oriented industrialists, Koc and Sabanci, exported only about six per cent of their turnover in 1986. This suggests that the majority of the Turkish industrialists found it difficult to adjust to the new competitive market rules, despite considerable state support (Patton 1992, 118-119). Industrialists seemed to be resigned to the fact that they did not have the capacity to compete in the export markets. This partly explains their reluctance to undertake new fixed capital investments that would enhance the international competitiveness of their own firms in particular and increase the competitiveness of the Turkish economy in general (Yalman 2009, 267, 275; Aydin 2005, 46). The growth of fixed capital investments, on average, decreased from 8 per cent between 1970 and 1979 to 2.7 per cent between 1980 and 1989 (Baskaya 2012, 332).

By the end of 1988, the early phase of Turkish neoliberal restructuring, which was based on trade liberalisation and export orientation, reached its limits (Ozturk 2010, 146). There were several reasons for this. First, the reluctance to undertake new fixed capital investments undermined productivity and export competitiveness (Oguz 2008, 108-109). Second, under GATT regulations and the IMF pressure, the government severely curtailed export subsidies and slightly lowered tariff rates (Ercan 2004, 37). More importantly, it was getting increasingly difficult to sustain repressive wage policies within the political climate prevailing at the end of the 1980s. After quite a long period of stagnation under the trauma of the 1980 coup, the workers movement experienced a recovery in the latter part of the decade. For example, around one million workers descended onto the streets in the Spring Actions of 1989, and public sector workers launched a powerful movement to unionize and for pay rises in 1990 (Savran 2002, 17).

Financial Liberalisation, Intra-Bourgeoisie Conflicts and Crises: 1990s

Having perceived that it would be very difficult for their exports to survive in the world market under these new conditions, Turkish capital groups slowly began to divert their patterns of accumulation away from manufacturing to banking and housing (Yalman 2009, 278, 284-285). At this point, Turkish neoliberal advocates saw a commitment to financial liberalisation as the best means of continuing with market-oriented restructuring. The decision to complete the capital account liberalisation in the summer of 1989, therefore, marked an important turning point in the neoliberal experiment of Turkey (Yalman 2009, 291). This decision provided unique opportunities to agents and agencies of neoliberalism to overcome difficulties they were facing (Oguz 2011, 5). On the one hand, the state authorities used inflows of money capital to finance the budget deficit that had mostly resulted from export subsidies, inability of taxing the bourgeoisie and a rise in real wages. On the other hand, large holding groups used financial liberalisation as a new channel to participate in the global circuit of capital to restore profitability (Ercan 2006, 388-389; Oguz 2008, 110-112). A handful of large holding groups, which owned and controlled a large part of the Turkish banking sector, placed themselves as intermediaries between international money-capital flows and the state borrowing mechanism (Ozturk 2010, 149). The money market itself became a realm for the valorisation of capital. This allowed holding groups to enjoy high profit rates in the form of 'non-operational profits' (Yalman 2009, 295). For example, the annual interest revenue of banks acquired through lending to the state increased from \$450 million in 1989 to \$5 billion in 1997 (Ozturk 2010, 148).

But these lucrative gains proved to be unstable and short-lived when Turkey faced a major neoliberal financial crisis. In early 1994 Turkey became one of the first emerging capitalisms to face a major neoliberal financial crisis. Financial liberalisation had accelerated the internalization of foreign currency and encouraged TL substitution, and this was within an already unstable and inflation-prone peripheral economy (Marois 2012, 107). Financial liberalization had also led to domestic debt financing, which was not sustainable when real interest rates surpassed real economic growth and there were no offsetting

primary surpluses (Ozatay 2000, 328). Under these conditions two actions of the Ciller DYP (*Dogru Yol Partisi*; True Path Party) government (1993-1995) triggered a run for foreign currency and eventually a currency crisis. First, in the second half of 1993, to prevent a further rise in the cost of servicing the domestic debt, the government cancelled various domestic debt auctions or accepted a small percentage of short maturity offers. Second, the government relied heavily upon the Central Bank resources (Ozatay 2000, 349). As a result of the crisis, output fell 6 percent, inflation rose to three-digit levels, the Central Bank lost half of its reserves, and the exchange rate (against the U.S. dollar) depreciated by more than half in the first three months of the year (Celasun 1999, 2).

The Ciller DYP government responded with an IMF-crafted stabilisation programme. The programme involved sharp fiscal adjustment, price increases in SOE products and further pressures to privatise SOEs. This programme helped regain control of the Turkish economy without sacrificing its neoliberal orientation (Marois 2012, 107). The recovery process from the crisis largely fell onto labour and the popular classes, and most of the key features of the pre-crisis era including large fiscal deficits and high dependence on short-term capital inflows more or less remained intact (Oguz 2008, 117). As the state socialised the costs and risks, the state borrowing policy continued to secure a transfer of wealth from the majority of working-class taxpaying citizens to a minority of financial capitalists who owned and controlled money resources (Marois 2012, 114). Gultekin-Karakas refers to this process as finance protectionism in which holding groups found a shelter while they were integrating with the world market in the 1990s (2009, 112-118).

The finance protectionism generated conflicts within the Turkish bourgeoisie. The increasing presence of TUSIAD-based holding groups within the financial markets clashed more and more with the interests of Anatolian small and medium-sized enterprises (SMEs) (Gultekin-Karakas 2009, 128; Yalman 2009, 284-285). Holding groups benefited from financial liberalisation and the domination of the financial markets by the financial instruments of the state. Anatolian SMEs, which had more limited access to bank ownership, faced the rising costs of funds in terms of macroeconomic instability and high interest rates. Whatever credits the holding groups made available to the remaining

private sector, after they had lent to the state and spent in other productive and commercial activities of their own holdings, often proved to be too expensive to be of any use and primarily lent to people with whom they were acquainted or with whom they shared 'related activities (Marois 2012, 110-111; OECD 1999, 42, 126-127). Unsurprisingly, this paved the way for the appearance of new forms of intra-capitalist conflicts between capital groups that owned banks (TUSIAD-based holding groups) and those that did not (Anatolian SMEs) (Yalman 2009, 284-285; Karakas 2009, 128).

The material foundations of this conflict need to be further explored. As the significant share of world manufacturing activities had been relocated to developing countries (including Turkey) through the global organisation of production, Anatolian firms grew rapidly in the 1980s by entering into subcontracting agreements in the area of textiles and garments with larger domestic and foreign firms (Gulalp 2001, 437). Anatolian firms attempted to survive and grow further by finding new sources of finance. But these firms failed to find credits they needed in the Turkish banking sector because the holding groups directed credits towards the best interests of holding companies (Oguz 2008, 132-134; Ozturk 2010, 161-162). Having felt excluded from the established business community and the banking system, Anatolian firms collectively turned towards Islamic capital and religious community structures. One way of accessing credits for Anatolian firms proved to be the special finance houses such as Anadolu Finans, Asya Finans, Al Baraka and Faysal Finans. These finance houses were connected to Islamic sects and Islamic capital (Emmioglu 2013, 194-196). Another alternative source of finance for Anatolian firms was the remittances sent by religious Turkish citizens working in European countries. This led to the formation of Islamic Holdings such as Yimpas, Ittifak and Kombassan with multiple shareholders (Oguz 2008, 132-134; Ozturk 2010, 161-162).

Throughout the 1990s, a multitude of new business associations emerged to represent these complex divisions and alliances within capital. The MUSIAD (*Mustakil Sanayicileri ve Isadamlari Dernegi*; Independent Industrialist Businessmen's Association) was established in 1990 to represent small and

medium-sized Anatolian businesses.³¹ These Anatolian firms had an Islamic orientation and were distant from the sources of governmental power (Oguz 2008, 139; Bugra and Savaskan 2014, 57). MUSIAD was complaining that the amount of credit given by private banks and state banks to Anatolian firms as a percentage of total credits had run at low levels (Gulalp 2001, 439). Moreover, contrary to TUSIAD's positive attitude towards European integration and liberal values, MUSIAD was explicitly against Turkey's EU membership. MUSIAD stayed close to the "milli gorus" (national vision) movement and demanded the strategy of strengthening relations with Asian countries with large Muslim populations (Ozturk 2010, 162-163; Bugra and Savaskan 2014, 57).

It was no longer possible for the Turkish power bloc under the leadership of TUSIAD-based holding groups to maintain bourgeoisie unity in the political scene (Oguz 2008, 135). The Islamic Welfare Party (*Refah Partisi*; RP), which was supported by MUSIAD members, first managed to stage a meteoric rise to take hold of the municipalities of most big cities (including Istanbul) in the local elections of 1994.³² The RP then came to power through a coalition government in 1996 (Savran 2002, 17; Emmioglu 2013, 316). The TUSIAD-based holding groups were particularly worried about the rise of Anatolian firms and the Islamic RP. These concerns culminated in the 28 February 1997 military intervention that led to the collapse of the RP-led coalition government. This curbed the power of the Islamic holding companies funded from abroad, and forced other sections of Anatolian firms with Islamic orientation to tone down their discourses on radical Islam (Oguz 2008, 136; Bugra and Savaskan 2014, 58).

Insofar as economic conditions were becoming unsustainable and intra-capitalists conflicts mounted, foreign investors and state elites began to worry about the future of accumulation within Turkey and international contagious effects of a financial crisis (Marois 2012, 120). The DSP (Democratic Left Party;

³¹ It is important to note that MUSIAD had large capitalists and capital groups and entrepreneurs such as Ulker, Calik and Erol Yerar in its membership structure.

³² Current prominent members of the AKP occupied key positions in the Istanbul Municipality in the mid-1990s: Recep Tayyip Erdogan (Mayor), Veysel Eroglu (Head of Istanbul Water and Sewerage Administration), Hilmi Guler (Head of Istanbul Gas Distribution Administration), Idris Naim Sahin (Deputy Secretary General) and Omer Dincer (Head of Personnel Management) (Emmioglu 2013)

Demokratik Sol Parti) coalition (1999-2002) thus adopted the new IMF-crafted 1999 disinflation program, uniquely without being in the midst of an acute financial crisis. IMF and Turkish authorities framed the 1999 program around three neoliberal pillars: tight fiscal and monetary policies; ambitious market-oriented structural reforms including privatisation; and the use of a pre-announced exchange rate to reduce inflation. The DSP coalition held firm to its commitments to deregulation and privatisation, while promising to clean up the state banks' duty losses (Marois 2012, 120-122). Despite the disinflation program, Turkey remained anchored to the financial muddle. In 1999 alone, eight private banks collapsed and were taken over by the state as a result of the guarantees given in 1994 (Akyuz and Boratav 2003, 1552). The economic instability and volatile political situation culminated in Turkey's largest ever-neoliberal financial crisis in February 2001.

Restructuring the Turkish State

The neoliberal experiment in Turkey occurred alongside the restructuring of the state (Yalman 2009, 298). The core strategies guiding state restructuring were the reestablishment of the social primacy of capital and the internalisation of the emerging mobility needs of accumulation (Martinez and Marois 2014, 1106; Yalman 2009, 308-309). However, the state restructuring process not only remained limited, but also led to intra-state conflicts throughout the 1980s and 1990s.

The 1980 coup and the following military regime initiated the state restructuring in Turkey. The military regime forcibly shut down the more radical labour unions and supported corporatist relations with the remaining unions. The 1982 Constitution then institutionalized measures such as severe limitations on the exercise of democratic rights and freedoms to depoliticize the society (Bedirhanoglu and Yalman 2010, 117-118). Following the military rule, Turgut Ozal emerged as the key political figure behind Turkey's transition to neoliberalism. He served as the Prime Minister and leader of *Anavatan Partisi* (ANAP; Motherland Party) from 1983 to 1989 (Onis 2004). The Ozal government, however, showed little interest in attempting to amend the

restrictive laws inherited from the military government (Ahmad 1993, 197; Bedirnahoglu and Yalman 2010, 118-119). Instead, Ozal focused more on the rapid implementation of neoliberal reforms by neutralising any social or political resistance to neoliberalism within the Turkish society and state apparatus (Oguz 2008, 158).

For this purpose, the Ozal government attempted to concentrate state and government power in the Turkish executive and created a specialised economic apparatus to work on the structural reforms (Marois 2012, 101). This occurred through three major mechanisms. The first mechanism was the issuance of an increasing number of governmental 'decrees in the force of law' (DFLs). Those DFLs helped the executive to bypass the Parliament in legislations related to neoliberal reforms (Celasun and Arslan 2001, 241). The second mechanism was the reorganisation of the executive branch to create and highlight the importance of a specialized economic apparatus. The most important example of this reorganisation was a combination of the Treasury, the Directorate of Foreign Trade, and the Directorates of Free Zone and Foreign Capital to form the Undersecretary of Treasury in the course of the 1980s (Oguz 2008, 163). This agency undertook a wide range of responsibilities and powers, including the administration of public finance, foreign economic relations, and banking. As a result, key economic and administrative roles regarding neoliberal reforms and global integration were monopolised in the hands of such few state agencies (Bugra 1994, 209; Oguz 2008, 167). The third mechanism was the creation of a 'fragmented budgetary system' through which the Ozal government aimed at avoiding supervisory control and approval of unpredictable legislature. The fragmented budgetary system had created extra-budgetary funds that supported the operations of newly created neoliberal special agencies without Parliamentary approval (Bugra 1994, 210; Ahmad 1993, 190).

The state restructuring reforms slowed down in the early 1990s. This is because intra-bourgeoisie conflicts (TUSIAD-based holding groups vs. Anatolian firms) and the gradual demise of the Ozal government's ANAP led to volatility in the political scene (Oguz 2008, 137). The machinery of state power is not a neutral instrument (Albo 1993, 27). The unstable power structure and political

instability triggered conflicts between different state agencies and bureaucrats in the state apparatus through the 1990s (Ercan 2004, 169).

The intra-state conflicts took three forms. First, there were conflicts among state agencies within the executive branch, particularly between the newly established neoliberal specialized economic apparatus (for example, the Undersecretariat of Treasury) and the old state agencies that lost some of their powers over economic administration (for example, State Planning Organisation, the Ministry of Finance) (Oguz 2008, 169; Adly 2013, 44). Second, conflicts erupted between conventional bureaucracy and neoliberal bureaucrats. The neoliberal bureaucrats had already internalised the neoliberal logic and recruited specifically to work on structural reforms. The conventional bureaucracy, on the other hand, resisted internalising neoliberal logic on the grounds of saving the state and protecting public interest (Oguz 2008, 169; Bugra 1994, 228). Third and most important, intense conflicts occurred between the executive and judicial branches of the state. The executive branch was attempting to use DFLs and extra-budgetary funds to bypass Parliament in reforms regarding neoliberal policies. The opponents of these reforms formed centres of opposition within the judicial branches of the state that mostly comprised of conventional bureaucracy (Oguz 2008, 169-170). As I will demonstrate below in section 4.2, the interventions of judicial branches of the state would lead to the reversal of some elements of neoliberalism (for example, privatisation) in Turkey.

4.2. Turkey's Halting Steps Toward Privatisation: 1984-2000

Turkey was among the first developing countries to announce a comprehensive privatisation program, but this program largely failed to materialise between 1984 and 2000. In little less than two decades, Turkey generated only \$7.39 billion worth of revenue with one third coming from transactions in 2000 (Dogan 2012). About half of the total revenue was obtained from the sales of equity participations of SOEs in private companies or from the sales of minority shares (3-5%) in large-scale SOEs (Turel 2001, 190). The full privatisation (more than 51%) was realized only in a few sectors such as cement, dairy products and

banking (Simga-Mugan and Yuce 2003, 100; Kilci 1994, 43). The privatized SOEs in those sectors were small and medium-sized (Ercan and Onis 2001, 110).

The limited extent and slow pace of privatisation that did occur between 1984 and 2000, among other things, reflected the unwillingness of different fractions of the Turkish power bloc to make privatisation (even though they supported the philosophy of the neoliberal experiment) the priority option within the contextually specific and variegated neoliberalisation experiment and domestic accumulation strategies in Turkey (as elaborated on in Section 4.1 above) (Yalman 2009, 329). The fractions of Turkish power bloc were unwilling to support the privatisation programme for a variety of reasons, including: (1) the fear that foreign capital would dominate the process, (2) a reluctance of big holdings to commit large-scale finance when other opportunities were available in financial markets, (3) the comfortable relationship that was enjoyed with the state enterprises when there was limited exposure to world market competitive imperatives, (4) the conflicts between TUSIAD-based holding groups and Anatolian capital (See Patton 1992; Onis 1991; Karakas 2009; Oguz 2008). The actions of the fractions of the Turkish power bloc thus effectively shaped the privatisation processes. In that regard, the privatisation process in Turkey should not be interpreted just as a top-down process of imposed structural adjustment of external actors or powerful state elites.

Reorganising SOE Structure: 1984-1986

The policy reports of the World Bank called for diminishing the size of the state sector (Aydin 2005, 44; Yalman 2009, 259-260). However, the privatisation of SOEs was not among the priorities of ANAP and TUSIAD during the early neoliberal experiment of Turkey. The 1983 election programme of ANAP stipulated that SOEs would be transferred to the people in due course instead of saying they would be sold to the private sector immediately. This is because ANAP officials were sensing that the Turkish society was still not ready for full-scale privatisations (Ilkin 1994, 79). The leading representatives of the TUSIAD, too, claimed that the problems of SOEs had nothing to do with their ownership but a lot to do with their management. The solution that TUSIAD sought was

based not on the privatisation of SOEs, but rather on the minor adjustments to the operations of SOEs. This is because TUSIAD-based holding groups were eager to maintain their comfortable relationship with SOEs in terms of cheap inputs and investment credit (Yalman 2009, 329; Turel 2011, 108).

The ANAP government intended to reorganise SOE structure in preparation for a later sale to continue receiving structural adjustment loans from World Bank. The Law 2983 of May 1984 brought about the first changes to the SOE structure by dividing up the SOEs into two distinct categories: SEEs (State Economic Enterprises; operate according to commercial principles such as TPAO and Sumerbank) and PEEs (Public Economic Enterprises; provide public services and/or possess a monopoly of production and service provision such as Turkish Electricity Institution and Post, Telegraph and Telephone Administration). The same law then created a new extra-budgetary fund agency (TKKOI –*Toplu Konut ve Kamu Ortakligi Idaresi*; Mass Housing and Public Participation Agency) that would be responsible for issuing revenue-sharing certificates of infrastructure facilities such as the Bosphorus Bridge and Keban Dam (Blind 2008, 90; Celasun and Arslan 2001, 241; Resmi Gazete 1984, no. 18344). The revenue-sharing certificates were important, not only to keep promises to the World Bank in relation to the policy objective of cutting public expenditures, but also to test the feasibility of privatisation and gain political support for SOE privatisation (Yalman 2009, 259-260; Ozturk 2010, 136; Shaker 1995, 32).

The Decree-Law 233 of June 1984 continued to bring changes to the SOE structure. It introduced several neoliberal principles to SOEs (Blind 2008, 90; Resmi Gazete 1984, no. 18435). First, the category of contract worker is introduced as opposed to long-term secure worker. A contract worker is defined as a person employed under an individual contract and is excluded from a collective agreement. By 1990, contract workers constituted 30 per cent of the total SOE workforce (Dereli and Zeytinoglu 1993, 692-695). Second, the principle of disintegration divided larger SOEs into several units to make their control easier. For instance, a state petroleum company was divided into six parts: TPAO, exploration and drilling; BOTAS, administration of pipelines; DITAS,

shipping; TUPRAS, petroleum refinery; PETKIM, petro-chemicals; POAS, distribution (Ataay 2003, 240).

Turkish Bourgeoisie Striving to Freeze Privatisation Plans: 1986-1993

The Ozal ANAP administration began to gradually kick-off SOE privatisation plans under the increasing pressures of foreign actors and agencies. By 1986, these increasing pressures had found ideological and policy expression in a report written by the American investment bank, Morgan Guaranty. The Morgan Guaranty Report suggested that Turkey should privatize SOEs to increase efficiency, generate growth and enhance development of capital markets (Marois 2012, 102; Karatas 2001, 95; Shaker 1991, 54-55). The report also identified foreign investors as the principal candidates for takeover (Onis 1991, 166). The possibility of heavy foreign involvement into the privatisation process began to cause concerns for the Turkish bourgeoisie. This was mainly because the SOEs were run in such a way that the private sector was the main economic beneficiary (Aydin 2005, 49). The leading representatives of the Turkish bourgeoisie thus attempted to freeze major privatisations. Below, I will explain how.

The first major SOE sell-offs came in 1988, and included the sale of Teletas, a telephone and communication firm, and Ansan-Meda, a soft drink bottling company, to foreign companies (Kjellstrom 1990, 28). In 1989, the French company SCF acquired five cement plants, whilst the Scandinavian Airlines purchased majority shares of USAS, an airline catering service firm (Ozturk 2010, 160; Okten and Arin 2006, 1542). The state authorities then announced that they had shortlisted a number of major SOEs such as Sumerbank, Petkim and Erdemir for privatisation with foreign investors emerging as the principal candidates of purchase (Onis 1991, 173). At the time, the Turkish bourgeoisie faced an immediate dilemma: either to compete with foreign capital to invest in privatized major SOEs and, ultimately, sacrifice the comfortable relationship enjoyed with the SOEs (i.e. resource transfers) and the opportunities to make lucrative gains in financial markets, or to freeze privatisation plans until a favourable context emerged that would prevent

foreign investors from acquiring major SOEs for the time being (Guran 2011, 40; Boratav and Turkcan 1993).

The Turkish bourgeoisie opted for the second option. The leading representatives of the business community perceived that if not stopped the foreign investors would acquire major SOEs. A review of the newspapers reveals that TUSIAD emphasized the fact that the Turkish bourgeoisie does not have enough power to purchase large-scale SOEs and the sale of those to foreign capital would lead to undesired outcomes for the Turkish economy.³³ TOBB (*Türkiye Odalar ve Borsalar Birliği*; Union of Chambers and Commodity Exchanges of Turkey) also opposed the sale of major SOEs to foreign capital on the grounds of their strategic importance for the functioning of Turkish economy (TOBB 1993, 44, 151).³⁴ Moreover, ISO (*Istanbul Sanayi Odasi*; Istanbul Chamber of Industry) stated that, if the government sells Erdemir and Petkim to foreign investors, it would be devastating for the Turkish industrialists as they would not be able to access intermediate products conveniently.³⁵ In this way, the Turkish bourgeoisie exercised unity and organized a major ‘foreignisation’ campaign to impose a freeze on the privatisation plans of major SOEs. The campaign succeeded in generating popular opposition to the privatisation plans, leading many people to equate the privatisation of major SOEs with ‘foreignisation’ (Onis 1991, 173; Blind 2008, 92; Patton 1992, 116).

This led to three outcomes. First, the popular opposition prompted opposition parties to bring the debate to Parliament and subsequently to sue the TKKOl, an agency responsible for privatisation. After a number of legal challenges, the courts ruled that the sales of several SOEs (for example, cement plants) via block sale to foreign investors were void (Dereli and Zeytinoglu 1993, 699). Second, the business community diverted attention towards decentralisation and reorganisation of SOEs. For example, the TOBB proposed the establishment of the TOYOK (*Türkiye Özerkleştirme, Yeniden Yapılandırma ve Özelleştirme Kurumu*; Decentralisation, Reorganisation and Privatisation Agency of Turkey) to prepare SOEs for later sale (TOBB 1993, 172-173). Third, state authorities brought privatisation of smaller plants, minority shareholdings and

³³ “Özelleştirilmede TUSIAD’ın tavrı”, *Cumhuriyet*, 14 November 1989

³⁴ “Petkim için bu telaş niye”, *Cumhuriyet*, 14 September 1989

³⁵ “Satisa tavisir hazirligi”, *Cumhuriyet*, 29 September 1989

participation shares to the fore (Dereli and Zeytinoglu 1993, 689). In 1990 and 1991, the Yildirim Akbulut ANAP government (1989-June 1991) earned around \$400 million from the public offerings of minority shareholdings in large-scale SOEs such as Erdemir (2.93%), Petkim (7.83%) and TUPRAS (1.66%). In 1992 and 1993, the Suleyman Demirel DYP coalition government (November 1991-June 1993) privatised several cement plants and animal feed factories (Okten and Arin 2006, 1543; Saygili and Taymaz 2001, 586). Moreover, the same government sold participation shares of SOEs in various private companies mostly to the existing majority shareholders (see Table 4.1).

Table 4.1: Sale of Participation Shares of SOEs in Private Companies (Selected List)

Name of Private Company	Shares Sold (%)	Name of Buyer	Price (\$) million
Ipragaz	49	French Primagaz	64.0
Netas	20	Northern Telecom	27.8
Tat Konserve	17	Koc Holding	7.5
Turk Traktor	34	Koc Holding	7.6
Ray Sigorta	49	Dogan Holding	10.3
Polinas	30	Ulker Group	6.7
Cukurova Elektrik	11	Rumeli Holding	81.0

Source: Kilci (1994)

Committed State Elites But Unwilling Bourgeoisie: 1994-1999

The post-1994 crisis management gave rise to a new austerity program with privatisation occupying an important place within it. The Prime Minister, Tansu Ciller of DYP, who envisaged SOE privatisation as a possible solution to the ever-soaring public deficit, took the attitude that privatisation was necessary, no matter the effort (Boratav 1999, 282; Oguz 2008, 115).³⁶ Tansu Ciller was aware of the fact that the legal framework did not fully support the privatisation of large Turkish SOEs. She asked her close associates to write the 1994 Privatisation Law, which remains in force today with certain amendments. This law better institutionalised the legal basis of privatisation in the state apparatus in three ways. First, it created the Privatization High Council (PHC) as a

³⁶ See "Aktuna: Ozellestirmeyi gerceklestirecegiz", *Zaman*, 7 September 1994; "Ciller, ozellestirmeye destek istiyor", *Zaman*, 30 September 1994; "Ciller: Dengeler yeniden bozulabilir", *Zaman*, 9 October 1994

policymaking body and the Privatization Administration (PA) as a centralised implementation agency (Marois 2012, 103). Second, it expanded the scope of privatization and specifically determined principles and procedures of the privatization implementations (Guran 2011, 37). Third, it addressed labour adjustment issues and redundancy payments for the first time (Celasun and Arslan 2001, 242).

The new Privatisation Law signalled that the DYP government was strongly committed to accelerating the privatisation process in Turkey. However, the government faced two obstacles to any progress in privatisation: (1) the reluctance of TUSIAD-based holding groups to fully support privatisations, and (2) intra-bourgeoisie conflicts between TUSIAD-based holding groups and Islamic-influenced Anatolian capital.

The TUSIAD-based holding groups publicly announced new support for privatisation in the post-1994 crisis period. But this announcement of support was actually an effective strategy for impeding increased taxation and blaming so-called inefficiency of SOEs for triggering economic crisis, rather than providing unconditional support to privatisation plans. Holding groups tended to be very selective on privatisation, pressuring state officials to concentrate on particular sectors (banking, cement and electricity), but not on the others (Yalman 2009, 329). For example, holding groups placed particular demands on the state to privatise state banks and indicated wide interests in bank privatisation tenders because bank ownership provided opportunities to make lucrative profits (Karakas 2009, 97). The TUSIAD-based holdings paid over \$1 billion to acquire state bank shares which comprised 37 per cent of Turkey's total privatisation revenue between 1994 and 1998 (see Table 4.2). The very same holdings, on the other hand, expressed that it may not be possible to privatise large-scale SOEs such as Erdemir and Turk Telekom in a short period of time (TUSIAD 1995a, 22, 45; TUSIAD 1995b, 131-134).

Table 4.2: Privatisation of Some State Banks

Name	Year	Price (\$) million	Buyer
Sumerbank (100%)	1995	103	Ipeks Tekstil
Anadolubank (100%)	1997	70	Mehmet Rustu Basaran

Denizbank (100%)	1997	66	Zorlu Holding
Etibank (100%)	1998	155	Ipek Holding
Is Bank (12.29%)	1998	632	Institutional Investors

Source: Turk (2011)

Intra-bourgeoisie conflicts between TUSIAD-based holding groups and Islamic-influenced Anatolian capital acted as another major obstacle to progress in privatisation. Two concrete examples help me to elaborate on this. The first example is the privatisation of Petlas, a tyre manufacturing state enterprise. The 1994 crisis stabilisation programme of DYP government pushed privatisation of Petlas forward. TUSIAD-based holding groups such as Sabanci, which has operations in the tyre manufacturing industry, pressured state authorities to close down Petlas in order to increase market shares of their own tyre manufacturing subsidiaries (for example, Brisa of Sabanci).³⁷ The SOE Commission of the Turkish Parliament suggested that Petlas must be privatised because there are interested buyers.³⁸ In response, the PA opened a tender in 1996 to privatise Petlas. The Kombassan, a prominent Islam-influenced Anatolian firm, won the tender with a \$35.7 million bid.³⁹ The success of Kombasan to purchase Petlas, however, brought a conflict within the Turkish power bloc to light. The TUSIAD-based holding groups and the military were not happy due to the fact that the Anatolian firms grew to the extent that they could even win major privatisation bids. Holding groups thus began to pressure the government to cancel the tender due to a threat of fundamental Islamism (Oguz 2008, 136-137). Kombassan Chairman, Hasim Bayram, illustrates how effective these pressures were:

“The great powers [Holding groups] neither want Petlas to be active nor Kombassan to control it. Kombassan had waited PHC’s approval for 63 days after the tender. The PA then put extra conditions on sale agreement that were initially not in there. Holding groups even tried to prevent us acquiring Petlas

³⁷ Personal interview with Ali Guner Tekin, Member of Petlas Supervisory Committee as Representative of the PA (1993-1994), Department Head of Advisory Services in the PA (2010-present), 8 February 2013.

³⁸ “Milletvekilleri Petlas’ın özelleştirilmesinden yana”, *Zaman*, 22/04/1994

³⁹ “Petlas’ın taliplileri inceleniyor”, *Zaman*, 08/11/1996

through their ownership of banking system by rejecting to give us letter of guarantee even though we were capable to meet all the conditions".⁴⁰

The intra-bourgeoisie conflicts between TUSIAD-based holding groups and Anatolian capital were not confined to the Petlas case. These two fractions of capital in Turkey also clashed over the privatisation of TEDAS -Turkish Electricity Distribution Company (Silverman 2014, 140). When Mesut Yilmaz's ANAP-led coalition government (1997-1999) decided in 1997 to contract out some of the electricity distribution regions, TUSIAD-based holding groups (for example, Dogan Holding and Cukurova Holding) hoped to gain all or some of those distribution regions (Karatas 2001, 104).⁴¹ The MUSIAD, whose president had been encouraging the association's three thousand members to contribute to a new firm called 'Investment Partnership Fund' to outbid holding groups, emerged as an unexpected competitor (Silverman 2014, 140-141).⁴² This threatened the interests and dominance of TUSIAD-based holding groups. At the time, the military apparatus constituted the power-base and favoured the interests of these holding groups (Oguz 2008, 136-140). The discomfort of holding groups, therefore, found expression in a Turkish National Security Council briefing on the threat of fundamental Islamism. It was alleged that the government gave priority to the Islamic companies in major privatisation bids, particularly in strategic sectors like energy, where Islamic companies united their forces to win the bids (Dogan 2010, 300). These kinds of interventions curbed the power of MUSIAD members and limited their participation in privatisation tenders.

Having felt excluded from privatisation tenders since the mid-1990s, MUSIAD members and Anatolian capital increasingly opposed the idea of privatisation by reasoning that privatisation would lead to the foreignisation and monopolisation (TUSIAD'isation) of the Turkish economy (MUSIAD 1995; MUSIAD 1996). As two sectoral committee chairs of MUSIAD stated in personal interviews in 2013, "holding groups of TUSIAD attempted to prevent us

⁴⁰ "Bayram: Petlas'ı bu hafta devralacagiz", *Zaman*, 05/05/1997

⁴¹ "Media bosses press on to get energy projects", *Hurriyet Daily News*, 13 November 1997

⁴² "MUSIAD tum ozellestirmelere katilacak", *Milliyet*, 03/03/1997; "MUSIAD'dan 1 milyar dolarlik elektrik havuzu", *Milliyet*, 16/01/1997; "MUSIAD and Dogan Media Group head for hard competition", *Turkish Daily News*, 21/03/1997

participating into privatisation tenders, we fought hard to slow down the privatisation program, we could not hand Turkey's privatisation program into the hands of TUSIAD's corrupt system".⁴³ The religious and conservative RP (*Refah Partisi*; Welfare Party) of Necmettin Erbakan represented the efforts of MUSIAD members on the political scene. The RP opposed privatisation by arguing that privatisations were plundering Turkey's precious goods (Blind 2008, 95).⁴⁴ The positions of the MUSIAD and the RP strengthened the hands of the other anti-privatisation groups. The anti-privatisation groups included several politicians from political parties (for example SHP –Social Democratic Populist Party and DSP –Democratic Left Party), statist bureaucrats, academics and some labour unions (Onis 2011, 714).

Under the leadership of SHP deputy Mumtaz Soysal, these anti-privatisation groups worked together to establish KIGEM (*Kamu Isletmeciligini Gelistirme Vakfi*; Center for Development of Public Management).⁴⁵ The establishment of KIGEM institutionalised the capacity of anti-privatisation groups to politically struggle to prevent privatisations. KIGEM built its opposition to privatisation on the grounds of the protection of public interest and preservation of Parliament's ultimate authority vis-à-vis the executive (Soysal 2005, 60). As the state restructuring process in general and the transformation of the judiciary apparatus of the state in particular, in line with neoliberal logic, were not yet fully realised (as discussed above in section 4.1), KIGEM attempted to struggle against privatisation through judicial institutions (Oguz 2008, 176). KIGEM formed centres of opposition within judicial branches of the state such as the Constitutional Court and the Council of State (*Danistay*). These two judicial institutions emerged as the key institutions in voicing the concerns of the anti-privatisation groups (Onis 2011). For example, following the appeal of KIGEM and Mumtaz Soysal, the Constitutional Court blocked Turk

⁴³ Personal Interview with Bekir Erkus, Head of Machinery Sectoral Committee at MUSIAD, 30 January 2013. Personal Interview with Mustafa Albayrak, Head of Energy and Environment Sectoral Committee at MUSIAD, 1 February 2013.

⁴⁴ See also "Hukümet Akl-I Selimini Kaybetti", *Zaman*, 21/09/1994; "Erbakan: Özelleştirme Yagmalama Oldu", *Zaman*, 30/09/1994

⁴⁵ Personal interview with İzzettin Onder, Professor of Economics at Istanbul University, Istanbul Representative of KIGEM, 5 February 2013.

Telekom's privatisation several times between 1993 and 2000 (Turel 2011, 111).

In brief, the extent and pace of privatisation remained very limited between 1984 and 2000. Despite the mounting commitment of government elites to privatisation as a result of crisis imperatives (1994) and external pressures, the fractions of the Turkish power bloc were unwilling and unable to make privatisation the priority option.

4.3. Post-2001 Crisis Phase of Neoliberalism in Turkey

This section analyses the post-2001 crisis phase of neoliberalism, how the TSE program consolidated new domestic accumulation strategies through internalizing new competitive imperatives to facilitate crisis recovery, and how the incoming AKP government managed intra-bourgeoisie and intra-state conflicts to support the reproduction of neoliberalism.

The twin crisis of February 2001 was very costly in terms of its economic consequences (Onis and Senses 2009, 3). The impact of the 2001 crisis did not lead state and government elites to reject neoliberalism. Rather, the crisis served as an opportunity to institutionalise new class compromises and domestic accumulation strategies to support the reproduction of neoliberalism (Marois 2012, 165-167; Bedirhanoglu and Yalman 2010, 116-117). The 2001 crisis thus opened a new phase of market-oriented neoliberalism in Turkey premised on two key features. First, the new domestic accumulation policies centred on the strategy (TSE programme) of improving international competitiveness to enhance the capacity of large holding groups to expand internationally and engage in partnership with global capital (Ercan and Oguz 2015, 120). The class interests of different fractions of the power bloc were consensually unified behind this strategy as a way forward to crisis recovery (Ercan, Karakas and Tanyilmaz 2008, 7). Second, following the recovery, Turkey's new ruling AKP government and state authorities managed to internalise the market logic of neoliberalism as the state's own social logic through the implementation of regulatory and institutional reforms (Oguz 2013). These class compromises and

state-restructuring reforms have meant that the intra-state and intra-bourgeoisie resistance to further liberalisation and privatisation have minimised.

Transition to Strong Economy Programme (TSE)

Even prior to the massive economic crisis of February 2001, major Turkish business associations were aware of the structural deficiencies of the economy (Oguz 2013, 5-6). The 1996 Customs Union (CU) agreement with the EU increasingly rendered all industrial sectors exposed to competition because it caused considerable tariff slashing (Adly 2013, 29; Togan and Hoekman 2005, 99). Inflows of financial flows and high state borrowing, which induced the capital accumulation strategy, reached absurdly unsustainable levels (Ozturk 2010). Within this atmosphere, the TUSIAD became an enthusiastic and committed supporter of economic policies that would enhance the international competitiveness of Turkish firms in particular and the Turkish economy in general. The TUSIAD thus prepared the 'Competition Strategy Series' between 1997 and 1999 by conducting surveys with prominent industrialists in important industrial sectors (automobile, electronics, domestic appliances, cement) to identify best practices in each sector and prepare action plans for adjusting these sectors to competitive world markets (See TUSIAD 1997; TUSIAD 1998; TUSIAD 1999). The MUSIAD warned state authorities in the late 1990s to limit state domestic borrowings and stop the struggle for rent (resource transfers) (Gultekin-Karakas 2009, 134-135). The Article IV Consultations with the IMF and Accession Talks with the EU also pointed out the high inflation that had plagued the economy for years, weak macroeconomic fundamentals, and the long-standing structural weaknesses in the economy (IMF 1998a; IMF 1999a).

The very depth of the February 2001 crisis exposed those inherent structural deficiencies of the economy. To push forward with the recovery and institutionalize a new strategy of capital accumulation premised on strengthening the capacity of holding groups to expand internationally and engage in partnership with global capital, the DSP coalition (1999-2002) announced the TSE programme in March 2001 (Onis and Senses 2009, 4; Ercan and Oguz 2015, 120). This meant that the capital groups which previously relied

on the extraction of surplus value (e.g. suppression of wages), or the redistribution of surplus value (e.g. financing state debts), would have to reorient themselves towards relative surplus value production through higher technology and increasing labour productivity –international competitiveness (Oguz 2013, 6; Ercan 2006, 402; Taymaz and Voyvoda 2009, 147).

The TSE programme had two backbones. The first one was the Banking Sector Restructuring Programme (BSRP) (Marois 2012, 169). The BSRP focused on the reconfiguration of the relations between banking and industry. In this way, it intended to shift money-capital from state debts into fixed capital investments through comprehensive banking and regulatory reforms (Ercan and Oguz 2015, 121). Kemal Dervis, Minister of Economy, characterized the BSRP as an institutionalized means of “creating a competitive industry by stopping the struggle for rent” (Karakas 2009, 120).

The second backbone of the TSE programme was the Reform Programme for the Improvement of the Investment Environment (RPIIE). The DSP coalition government launched this in December 2001 to improve the business environment for the private sector and increase inflows of foreign direct investment (FDI) (Cebeci 2012; Ercan 2005, 415-416). The RPIIE covers a wide range of reform activities. First, the RPIIE involves the gradual removal of the legal-institutional barriers to private investment. To this end, the AKP government enacted the FDI Law (4875) of 2003 that ended most of the bureaucratic restrictions on FDI (Turel 2011, 307; Ozturk 2010, 170). Second, the RPIIE involves the enactment of reforms (for example, subcontracted labour, flexibilisation of work) to establish new and variegated control mechanisms over labour to increase labour productivity (Oguz 2013, 6-10; Ercan 2006, 402). Third, as part of the RPIIE, state authorities adopted new industrial policies for the purpose of improving international competitiveness through a shift in the sectoral composition of investments from labour-intensive and low-value added to capital-intensive and high-value added sectors (Ercan and Oguz 2015, 121). The top priorities of the 8th Five Year Development Plan (2001-2005) and 9th Five Year Development Plan (2007-2013) were international competitiveness, efficiency and productivity (Turel 2011, 299).

All these efforts of the TSE programme paid off in the end. First, both the volume and composition of the Turkish exports significantly changed. The volume of Turkish exports increased from \$31 billion in 2001 to \$152 billion in 2012; meanwhile, their characteristics shifted away from the traditional 'low' technology sectors toward 'medium-low' and 'medium-high' technology sectors (Taymaz and Voyvoda 2009, 149-150, 166; TurkStat 2015). However, this did not mean that imports were significantly reduced. Instead, imports increased too. This is because export firms tended to import most of the machinery parts, intermediate goods and energy inputs that they used in the production process (Yaman-Ozturk 2009, 86-87). Second, the average annual growth rate of labour productivity increased from 2.4 per cent between 1992 and 2000 to 4.6 per cent between 2000 and 2008 (ILO 2011; OECD 2012). Third, the share of the manufacturing industry in the fixed capital investments rose from 20.2 per cent (1991-2000) to 31.7 per cent (2001-2010) (Kalkinma Bakanligi 2015). This suggests that Turkish capitalists channelled available funds, which they earned through financial mechanisms throughout the 1990s, to productive investments. Fourth, FDI inflows skyrocketed from \$1.1 billion between 1993 and 2002 to \$128 billion between 2003 and 2012 (Central Bank of Turkey).

The AKP: Management of Intra-Bourgeoisie and Intra-State Conflicts

On coming to power in the November 2002 general elections, the AKP continued to implement the TSE programme. The AKP proved to be highly committed to extending the path of Turkey's neoliberal experiment (Onis and Senses 2009, 5). What makes the AKP peculiar and different from previous governments is its capacity and ability to manage decade-old intra-bourgeoisie and intra-state conflicts (Bedirhanoglu 2010, 44).

To manage intra-bourgeoisie conflicts, the AKP captured the contradictory unity between different fractions of the power bloc. This contradictory unity emerged when the interests of TUSIAD-based holding groups, Anatolian firms and foreign capital intersected and unified around new domestic accumulation strategies (TSE) such as global integration, increased productive capacity and higher labour productivity in the aftermath of the

February 2001 crisis (Ercan, Karakas and Tanyilmaz 2008, 7; Ercan 2010). The AKP tried hard to respond to the demands of all fractions of capital to represent and manage the unity of the Turkish power bloc (Ercan, Karakas and Tanyilmaz 2008, 2), although the party came to power with the electoral support of social and religious conservatives and representatives of Anatolian capital (Uzgel 2010, 18).⁴⁶ The AKP's determination to achieve EU membership, large-scale privatisations and anti-labour strategies pleased TUSIAD, whilst policies of AKP towards financing SMEs, small-scale privatisations and state tenders pleased Anatolian firms (Ozturk 2010, 184-185; Senalp 2012, 256). Moreover, the promise of social justice, income equality and democratization helped the AKP to disrupt the subordinate classes and obstructed the formation of a united front against neo-liberal reforms (Hosgor 2011, 354). As such, the ruling elites of AKP and state authorities managed to keep organized the general interests of capital. This resulted in a temporary neutralization of intra-bourgeoisie conflicts that was prevalent in the 1990s. The former United States ambassador (1997-2000) to Turkey and now a counsellor to the Washington Institute's Turkish Research Programme (2002-present), Mark Parris, stated in a late 2005 speech that Turkey is now, "joined together politically as never before".⁴⁷

To reduce intra-state conflicts, the AKP and Turkish capital took a more radical turn in state restructuring. They aimed at transforming the institutional and legal structure of the state in response to the new orientation of Turkish neoliberalism (Oguz 2008; Onis 2011). State and government elites reasoned that the state apparatus influenced by the values of inward-oriented national developmentalism could not serve its purpose. The main objective of the state restructuring is the establishment of a neoliberal hegemony within and over the state apparatus in a way that internalised market imperatives. This would lead to a tendency of decreasing intra-state conflicts (and resistance) over neoliberal reforms (Oguz 2008, 264; Oguz 2013).

The state restructuring in the post-2001 era had three key dimensions: strengthening regulatory capacity, facilitating internationalisation of the state, and restructuring of judicial institutions. First, the independent regulatory

⁴⁶ In this way, the AKP represented a transformation that accompanied a pragmatic shift from reactionary political Islam of the RP to progressive political Islam (Marois 2012, 177-178).

⁴⁷ "Turkiye'yi hic bu kadar iyi gormemistim", *Zaman*, 13 Ekim 2005

authorities (IRAs) started to take centre stage in several areas of the economy (Onis 2009, 421). Some of these IRAs were the Banking Regulation and Supervision Agency (BRSA), the Telecommunications Agency (TA) and the Energy Markets Regulatory Agency (EMRA) (Ozel 2012, 121). Although some IRAs had been set up prior to the onset of the 2001 crisis, they were largely ineffective until their reorganisation in the mid-2000s (Onis 2009, 422). The IRAs insulated themselves from rigid conventional bureaucracy and popular forces, while they effectively interacted with capital and other neoliberal state agencies to help implement neoliberal reforms (for example, privatisation). The IRAs have representatives of business associations on their board of governance (Oguz 2008, 182). What is more striking is the appointment of the PA officers into key roles within IRAs. For example, Hasan Koktas, who was vice-president of the PA between 2003 and 2007, was appointed as the president of the EMRA in 2008.⁴⁸ The appointment of Hasan Koktas to EMRA coincides with the beginning of the government's efforts to privatise Turkey's energy assets. This transformed the institutional materiality of the EMRA and the Turkish state suitable to privatisation.

Second, the Coordination Council for the Improvement of the Investment Environment (CCIIE) and Investment Advisory Council of Turkey (IAC) were established respectively in 2001 and 2004 as institutional platforms to bring state officials, IFI representatives, top level executives of multinational companies as well as the heads of TOBB and TUSIAD together to form a public-private sector dialogue in the formation of economic policies (Bedirhanoglu 2010, 55; Ercan 2010, 197). The underlying objective is to facilitate the internationalisation of the state apparatus to encourage FDI and enhance competitiveness of the Turkish economy (DPT 2007b, 12). In line with the CCIIE and IAC, the PA also started to organise investor roadshows abroad to enhance dialogue and information exchange with foreign investors to contribute their stable participation in privatisation tenders.⁴⁹

⁴⁸ Another example is the appointment of Gulefsan Demirbas as the head of the strategy development department of EMRA in 2007.

⁴⁹ Personal Interview with Arzu Atik, 8 February 2013. She worked as Project Group Head at the Privatisation Authority of Turkey (1992-2012). She is now working as Director of Strategy and Planning at Kolin Group.

Third, the judicial apparatus of the state experienced ideological and legal restructuring in ways that internalised market logic and rendered this terrain conducive to neoliberalisation (and privatisation). On the one hand, the AKP government has changed the composition of the Constitutional Court judges. Those judges that oppose neoliberal policies and privatisation are being marginalised and slowly replaced by the judges that embrace the hegemonic principles of the market. The judges no longer base their rulings on public interest and unity of the state, but on the basis of the market economy and efficiency (Ertugrul 2010, 546; Sahin 2010, 494). On the other hand, the AKP government transformed the way in which administrative courts related to neoliberal reforms. For example, the government changed the Privatisation Law in 2004 to authorise the *Danistay* to act as the court of first instance for privatisation related lawsuits (Privatisation Law 4046, 316). A few months later, it also changed the Danistay Law (2575) to select the 13th Chamber of Danistay as an expert chamber responsible for all privatisation cases.⁵⁰ As a result, the administrative judicial review of privatisation implementations was centralised in the 13th Chamber of Danistay. The opportunity to file a legal claim against privatisation in different regional administrative courts has thus been minimised. In a personal interview, the PA official, Yesim Kurna, stated that, ‘as same judges reviewed all privatisation implementations, they have effectively learnt the market rational behind the idea of privatisation over time’.⁵¹

4.4. The Acceleration of the Privatisation Process in Turkey: 2001-present

This section discusses the acceleration of the privatisation process in Turkey. The privatisation process in Turkey has accelerated in accordance with prevailing strategies of domestic accumulation and the associated material demands of the economy vis-à-vis political class compromises in the post-2001 crisis period. The TSE and subsequent AKP reforms have restructured the state apparatus so that authorities are better able to manage the privatisation process

⁵⁰ Danistay has 15 chambers in its structure.

⁵¹ Personal Interview with Yesim Kurna, Privatisation Authority, Head of Project Group, 13 February 2013.

on behalf of the power bloc under the leadership of TUSIAD-based holding groups.

Below, I will discuss two specific factors that helped the AKP and different fractions of the power bloc to establish contradictory unity towards accelerating the privatisation process in Turkey. First, privatisation of SOEs constituted an important strategy in which the accumulation strategies have been internally restructured to respond to new imperatives of international competitiveness (DPT 2001b, 120-121; TUSIAD 2002b, 7; TUSIAD 2003a, 2-3; TUSIAD 2003b; TUSIAD 2003c). This refers to what is indispensable to the bourgeoisie as a whole (from the reproduction of labour power to exerting direct control on input-providing SOEs). Second, privatisation provided material reproduction and profit imperatives (for example, take over of large-scale SOEs, pursue a focusing strategy, purchasing relatively smaller SOEs, the existence of AKP, remaining loyal to targets of neoliberal agenda) for the AKP and different fractions of the power bloc to institutionalize the conditions for their own prosperity (Senalp 2012, 355-356; Angin and Bedirhanoglu 2012, 159-162; Ozturk 2010, 163-173). This refers to what is making privatisation a preferred option for each social force whereby a compromise strategy is elaborated within the power bloc.

4.4.1. Privatisation and Internal Restructuring of Accumulation Strategies

Post-2001 crisis accumulation strategies in Turkey are characterised by increased production and integration into world markets through augmented commodity exports. These strategies require a significant increase at the economy's level of competitiveness (Taymaz and Voyvoda 2009, 151; DPT 2007b, 21). The state authorities and the fractions of the power bloc have attempted to secure gains in international competitiveness through higher technology and higher labour productivity (Istanbul Chamber of Industry 2012, 9; DPT 2007b, 64-69; Karakas 2009, 121). To do so, labour has to be intensified and available resources have to be used efficiently (Bonefeld et al. 1995, 2-3). It was imperative to bring inputs (labour, energy, infrastructure, intermediate products) prices and quality to international levels, as well as to use those inputs promptly and continuously (Ercan 2010, 190). In the eyes of state authorities

and fractions of the power bloc, privatisation of SOEs constituted an important strategy in which the accumulation strategies have been internally restructured in order to respond to these imperatives of accumulation strategies (DPT 2000c, 55-56). First, privatisation would intensify the discipline and reproduction of labour power to enhance labour productivity. Second, privatisation would enable capital groups to exert direct control on SOEs, so that privatised SOEs ensure cost reduction, quality and supply improvements in industrial and infrastructure inputs (DPT 2001b, 120-121; TUSIAD 2004).

Reproduction of Labour Power

The central point here is that privatisation helped state authorities and capitalists to treat workers as highly malleable factors in the enhancement of competitiveness and maintenance of profitability (Marois 2012, 188). This is because privatisation intensified labour power and reduced the organised power of labour.

There have been substantial changes in the content of the SOE labour force due to privatisation. Between 2001 and 2012, over 90,000 SOE workers were affected. First, about 50,000 SOE workers were laid off as a result of privatisation. To ease the process the State Pension Fund (*Devlet Emeklilik Fonu*) and the Privatisation Fund (*Ozellestirme Fonu*) have paid over TL 264 million worth of 'special job loss compensation' to those laid-off workers. Second, over 10,000 SOE workers had been encouraged to accept early retirement by the PA, which offered them 30 per cent extra retirement payments from the Privatisation Fund. Third, by 2012 the State Personnel Department (*Devlet Personel Baskanligi*) had forced over 28,500 downsized SOE workers to move elsewhere in the state apparatus through the 4-C clause of the Privatisation Law (Dogan 2012, 59-60).⁵² For example, around 6,000 SOE workers were transferred to the Ministry of Education, while over 1,700 SOE workers were

⁵² 4-C clause was added into the Privatisation Law in 2004. This clause states that the downsized workers would be transferred to the personnel pool where they would be distributed to other state agencies and institutions. In the post-settlement period, those workers experienced significantly worse-off positions in terms of labour rights and wages.

moved in the State Hospitals Institution.⁵³ In this way, the Turkish state authorities socialised some of the risks faced by the new owners of SOEs by eliminating excess workers, as well as reducing the possibility of a labour backlash against privatisation by making compensation payments to those affected.

Table 4.3: Number of Workers Transferred to Other State Institutions in Selected SOEs

Name of SOE	Number of Transferred Workers
Eti Alüminyum	1216
İsdemir	542
Türk Telekom	10200
Tekel (Tobacco and Alcohol)	6530
Tupras	464

Source: Privatisation Authority; Turk (2011)

Table 4.4: Number of Workers in Pre-Privatisation and Post-Privatisation in Selected SOEs

Name of SOE	Pre-Privatisation (2004)	Post-Privatisation (2012)
İsdemir	8149	5543
Tekel (Alcohol)	2270	834
Tupras	5398	4700
Erdemir	7022	6630
Türk Telekom	53472	37524

Source: Annual Reports; Turk (2011)

The impact has been significant in terms of competitiveness and profitability of new capitalist owners of SOEs. Privatisation has helped intensify the labour power (productivity) of SOE workforce –enabling a worker to produce more in a given time with the same expenditure of labour (Marois 2012, 187). While the number of workers has significantly reduced from their pre-privatisation levels, new capitalist owners have dramatically increased the amount of work remaining staff must handle. In 2005, before privatisation, the total steel production per employee in İsdemir and Erdemir was 340 and 844 tons respectively. In 2012, after privatisation, production per employee in İsdemir and Erdemir rose to 818 and 1,131 tons respectively.⁵⁴ Likewise, the total sales per employee in Tupras increased from 4,538 tons to 5,404 tons

⁵³ See State Personnel Department, www.dpb.gov.tr

⁵⁴ See İsdemir and Erdemir Annual Reports.

between 2004 and 2012.⁵⁵ As a result, labour costs (and number of workers) decreased significantly in nearly all privatised SOEs; whilst labour productivity increased. For instance, personnel expenses, as a percentage of total expenses in Turk Telekom, decreased from 32 per cent in 2005 to 21 per cent in 2013 (Karatas and Ercan 2008).

Privatisation has also reduced the power of organised labour. The SOEs historically provided the most unionised and powerful ground for organised labour. The privatisation of SOEs and subsequent deunionisation movement seriously reduced the power of organised labour in Turkey (Cam 2002, 89). Unionisation of workers was either weakened or eliminated in many SOEs after privatisation. The newly employed workers of privatised SOEs were hired under flexible conditions and without union membership (Bagimsiz Sosyal Bilimciler 2011, 133-150). In a personal interview, the President of TEKSIF Union (Textile, Knitting and Clothing Industry Workers' Union), Nazmi Irgat, stated:

“Before privatisation, we had 34,000 union members in Sumerbank –state owned textile factory. At the moment, this number is marginal. We therefore turned our attention to unionise workers in the private textile factories producing for Hugo Boss where around 3,500 textile workers are employed. However, we failed to achieve our objective as employers in those private factories are dismissing workers as soon as they attempt to join our union”.⁵⁶

Yet, while the state authorities and capitalists attempted to reproduce and manage labour power through privatisations, organised labour has been unable to collectively assert power to their benefit. The individual cases of labour struggle, such as the Petkim resistance of 2003-2004, Tupras legal battle of 2003-2006, Tekel resistance of 2009-2010 and the Yatagan resistance of 2013-2014, demonstrated the organised labour responses to privatisation. However, the Turkish labour and working class had failed to organise a collective front movement against privatisations. In other words, the resistance of organized labour against privatisations turned out to be local and relatively mild (Turel 2001, 192). There are several reasons for this.

⁵⁵ See Tupras Annual Reports.

⁵⁶ Personal interview with Nazmi Irgat, President of Teksif Union (2007-present), Organisation Secretary of TURK-IS (2011-2013), 11 February 2013

First, the power of organised labour, which experienced severe damage during the 1980 military coup, became gradually weakened throughout the subsequent years. Labour unions, therefore, were not strong or dynamic enough to assert power to prevent privatisations during the 2000s.⁵⁷ Second, ideological diversionism led to a differentiation of union strategies. This further weakened the power of organised labour and harmed prospects of success. For example, the Islamist-leaning HAK-IS (*Hak Isci Sendikaları Konfederasyonu*; Confederation of Turkish Just Workers Association) adopted a clearly pro-privatisation stance. HAK-IS even participated in privatisations (e.g. Karabuk Steel Factory) that converted the confederation into a 'business confederation' (Blind 2008, 21). Moreover, the right-leaning and nationalist Turk-Metal IS (*Türk Metal Isçileri Sendikası*; Union of Metallurgy Workers) union's opposition to the privatisation of Erdemir stopped overnight after its sale to the OYAK group, the private pension fund of the Turkish Armed Forces (Onis 2011, 721; Demir 2010). Third, TURK-IS is the largest labour confederation in the public sector and the labour institution most directly affected by privatisations. TURK-IS is perhaps best equipped to play a central role in establishing coordination between its affiliated public sector unions with shared goals against privatisation, but it has avoided such a role. The Organisation Secretary of TURK-IS, Nazmi Irgat, told me in a personal interview that 'TURK-IS has never assumed leadership to produce a leading decision or road map of what to do and what mistakes not to make for preventing privatisations in Turkey'.⁵⁸ Instead, TURK-IS chose to support privatisations implicitly by maintaining its previous partisan links (culture of compromise) with the governing parties (Blind 2008, 21). This has resulted in an inability of labour unions to collectively organise against prospective privatisations. Fourth, anti-privatisation unions (for example, DISK, Petrol-Is, Gıda-Is), most of the times, failed to establish close dialogues with representatives of social democratic parties in the Turkish political matrix such

⁵⁷ Personal interview with Irfan Kaygisiz, Birlesik Metal-IS Union, Researcher, 4 October 2012

⁵⁸ Personal interview with Nazmi Irgat, President of Teksif Union (2007-present), Organisation Secretary of TURK-IS (2011-2013), 11 February 2013

as the Republican People's Party (CHP).⁵⁹ Those unions also did not have organic relations with other opponents of privatisation such as KIGEM.⁶⁰

Exerting Direct Control on Input Providing SOEs

In a change of strategy, the Turkish bourgeoisie sought productivity gains by exerting direct control over major input-providing SOEs via privatisations. The bourgeoisie reasoned that exerting direct control of SOEs could contribute to the productivity improvements in two ways (DPT 2001b, 120-121; TUSIAD 2002b, 7; TUSIAD 2004). First, the bourgeoisie might make certain level of investments and introduce new technologies into privatised enterprises that would bring domestic input prices and quality to international levels. Second, the bourgeoisie might introduce a flexible market-oriented management philosophy of the private sector into privatised enterprises that would ensure timely supply of key economic inputs to their manufacturing affiliates. These productivity gains resulting from privatisation would allow Turkish capital groups to maintain profitability and power under the post-2001 accumulation strategies, centred on competitive imperatives, more than ever before (TUSIAD 2003). This even led to a change in the Turkish bourgeoisie's opinion on the participation of foreign capital into privatisation processes.

Tupras (Turkish Petroleum Refineries Corporation), Turkey's largest industrial enterprise, is one of the most important examples. Tupras had difficulties in completing even half of the Master Investment Plan of \$2.1 billion under state management between 1998 and 2004. The Koc Holding-Shell consortium purchased Tupras in 2005 (See Table 4.5). The consortium has invested a total of \$5.2 billion since 2006 to increase efficiency and productivity of Tupras (compare with Angin and Bedirhanoglu 2012, 156; Yeldan 2005, 21). The latest investment of the consortium is the \$3 billion Fuel Oil Conversion Facility with a capacity to convert 4.2 million tons of low-value added products (e.g. fuel oil) for which demand in Turkey has been falling to nearly 3.5 million

⁵⁹ Personal interview with Oguz Oyan, Deputy of CHP (2002-present), 12 Subat 2013

⁶⁰ Personal interview with Izzettin Onder, Professor of Economics at Istanbul University, Istanbul Representative of KIGEM, 5 February 2013

tons of high-value added white products (e.g. diesel, gasoline, jet fuel).⁶¹ The Chairman of Koc Energy Group, Erol Memioglu, states: “We are continuously making efforts to make Tupras the most competitive refinery in the Mediterranean region and contributing more to the Turkish economy. We expect latest investment to decrease Turkey’s current account deficit by \$1 billion annually. This accounts for up to ten per cent of Turkey’s diesel imports”.⁶²

Table 4.5: Privatisation of Key Industrial and Infrastructure Inputs Providers

Name	Sector	Year	Price (\$ million)
Cayeli Bakir	Mining	2004	49
Erdemir	Iron-Steel	2005	2770
Tupras	Petroleum Refinery	2005	4140
Turk Telekom	Telecommunications	2005	6550
Samsun Gubre	Fertilizer	2005	41
Petkim	Petrochemical	2008	2040
Mersin Port	Port Handling	2010	755
Baskent Natural Gas	Natural Gas	2013	1162
Gediz Distribution	Electricity	2013	1231
Seyitomer Power Plant	Electricity	2013	2248

Source: Privatisation Authority Website

Another important example is Erdemir (Eregli Iron and Steel Enterprise). The PA privatised Erdemir in 2005 (See Table 4.5). The privatisation of Erdemir was important for the Turkish business community to have access to iron-steel inputs in a timely manner within the competitive imperatives of post-2001 domestic accumulation strategies (TUSIAD 2004a). Specifically, the Turkish household appliances sector, which has been attempting to gain an export share in the world market, shifted its priorities to accessing iron-steel inputs in a prompt and flexible way. The domestic input usage rate of household appliances sector has stayed around 70 per cent for a long time. This has meant that household appliance manufacturers such as Arcelik (Koc Holding) and Vestel (Zorlu Holding) have become embedded within a series of relationships with SOEs such as Erdemir (Bilim, Sanayi ve Teknoloji Bakanligi 2011, 5-7). However,

⁶¹ “Turkish Energy Giant Tupras Opens \$3bln Refinery Facility”, *Daily Sabah*, 14/01/2015;

“Tupras to Bring Izmit Refinery Upgrade Fully Online Start-2015”, *Reuters*, 02/12/2014

⁶² “Turkey’s Largest Industrial Investment Will Reduce Diesel Imports”, *Daily Sabah*, 04/12/2014

these manufacturers complained that the product sales of Erdemir have not been prompt. This has resulted in a loss of competitive edge within world market competition.⁶³ In a personal interview, the Director of Strategy and Business Department in Zorlu Holding, Ali Yalcin, stated:

“Vestel’s European clients expect us to manufacture and deliver televisions in a very short period of time. The fast response to client demands constitutes the most important part of our competitive advantage in world market. As Erdemir’s sale strategy was based on long-term supply agreements (three months or yearly) before privatisation, we experienced severe difficulties in purchasing inputs promptly”.⁶⁴

The Erdemir example demonstrates that, for the Turkish bourgeoisie, privatisation constituted an important strategy in which the flexible market-oriented logic of buying and selling has been introduced into economic input providing SOEs.

The next important example is the petrochemical state enterprise Petkim. The PA sold Petkim to the Socar-Turcas foreign-owned consortium in 2008 (See Table 4.5). The first tender for the privatisation of Petkim was launched in January 2003 where Uzan Group won by offering just \$605 million (Angin and Bedirhanoglu 2012). However, various circles including the Turkish business community were against the sale of Petkim to Uzan Group on the grounds that Uzan would not be able to run the enterprise properly. For example, the President of the Turkish Chemical Manufacturers Association, Timur Erk, argued that even though they are not against the privatisation of Petkim, the enterprise should not be sold to Uzan Group, which was embroiled in difficulties relating to earlier privatisations. He added that they prefer Petkim to be sold to foreign capital that would be able to complete an essential \$2 billion modernisation investment and improve productivity.⁶⁵ As they expected, the new foreign owner of Petkim (Socar-Turcas consortium) spent around \$500 million to increase

⁶³ Personal interview with Serdar Kocturk (6 February 2013), Board Member of Kibar Holding, Board Member of Turkish Exporters Assembly (TIM), Vice Chairman of Turkish Steel Exporters Association (2008-2012).

⁶⁴ Personal interview with Ali Yalcin, Zorlu Holding, Director of Strategy and Business Department, 2 February 2013.

⁶⁵ “Turkish Petkim sale cancellation delays vital investment”, www.icis.com, 7 August 2003

Petkim's production capacity and upgrade its technology.⁶⁶ The Socar-Turcas consortium also started to construct a refinery in the west of Turkey to secure the supply of raw materials to Petkim to in order for it improve its efficiency and productivity.⁶⁷

This position of the Turkish business community is not unique to the Petkim case. Tuncay Ozilhan and Omer Sabanci, two successive Presidents of TUSIAD, encouraged participation of foreign capital in the Turkish privatisation process with the expectation that it would contribute to the introduction of new technologies and additional capacity enhancement investments (TUSIAD 2003; TUSIAD 2005; Sahin 2010, 485). This shows that the Turkish business community, which was very much against the sale of SOEs to foreign capital during the 1980s and 1990s, has now started to accept foreign capital in some cases to ensure provision of high value-added, quality and cheap inputs.⁶⁸

As the Turkish bourgeoisie and state authorities became more receptive to foreign capital, international investors facing over-accumulation problems have turned to Turkey. These international investors are seeking new areas to invest surpluses of capital that lie idle with few profitable outlets in sight (Harvey 2003, 139-158). As a result, the participation of foreign investors into the privatisation process, which was around 10 per cent of total sales between 1984 and 2000, has significantly increased since the mid-2000s (Dogan 2012, 51-57). Major privatisation deals of the post mid-2000s era demonstrate a significant foreign presence –over 25 per cent of total sales (Onis 2011, 712). Foreign companies participating alone or acting in joint ventures with powerful domestic partners managed to acquire the ownership of some large-scale SOEs such as Turk Telekom and Tekel (see Table 4.6).

Table 4.6: Selected SOEs Purchased by Foreign Capital

Name of SOE	Year	Share Sold (%)	Share of Foreign Company (%)	Money Foreign Company Paid (\$)	Name of Buyer	Country of Origin

⁶⁶ It should also be noted that the Turkish state made modernisation and capacity-enhancement investments prior to privatisation of Petkim, though on a smaller scale in comparison to investments of SOCAR.

⁶⁷ "Socar Turkey secures financing from Denizbank for Star refinery", *Reuters*, 18 March 2014

⁶⁸ "Yabancı sermaye'ye bizimde bakışımız degisti", *Zaman*, 28 November 2005

				million		
Turk Telekom	2005	55	100	6550.0	Oger Telecom	Dubai, Lebanon
Halk Bank	2007	17	100	1289.1	Institutional Investors	Various
Petkim	2007	51	51	1042.8	Socar	Azerbaijan
Tekel Tobacco	2008	100	100	1720.0	BAT	Netherlands
Turk Telekom	2008	9	100	1146.3	Institutional Investors	Various
Baskent Electricity	2009	100	50	612.5	Verbund	Austria
Halk Bank	2012	23	80	2519.0	Institutional Investors	Various

Source: Dogan (2012)

4.4.2. Privatisation and Different Fractions of Power Bloc

Privatisation provided material reproduction and profit imperatives for different fractions of the power bloc and the AKP to institutionalize the conditions for their own prosperity (Senalp 2012, 355-356; Angin and Bedirhanoglu 2012, 159-162; Ozturk 2010, 163-173). These concrete reproduction and profit imperatives made privatisation a preferred option for each of these social forces whereby a compromise strategy is elaborated within the power bloc. The TUSIAD-based holding groups promoted privatisation to further strengthen their overwhelming presence in the Turkish economy and turn into international players by targeting large-scale SOEs (Ozturk 2010, 173; Senalp 2012, 356). The Islamic influenced Anatolian capital perceived relatively smaller SOE privatisations as new and previously unavailable opportunities for long-awaited expansion with the expectation that AKP would ensure their participation in the privatisation process (See Bugra and Savaskan 2014). The AKP, in return, internalised a general interest of capital and tried to remain loyal to targets of the neoliberal agenda (and privatisation) in order to avoid its politically vulnerable position within the power relations (Angin and Bedirhanoglu 2012, 149-150). I will go into further detail below.

TUSIAD-based Holding Groups

In the post-2001 crisis period, the TUSIAD-based holding groups made greater political efforts towards privatisation. They turned towards large-scale SOEs in the privatisation portfolio in order to restructure their holding structures in such a way that it would turn them into competitive international players. In this way, the two restructuring strategies of holding groups and privatisation were tightly linked. One restructuring strategy of holding groups involved increasing the pool of productive capital, as the banking reform of the TSE programme introduced stricter financial regulations. Another restructuring strategy of the holding groups involved growth through focus –that is a strategy of prioritizing competitive and high-value added sectors and withdrawing from secondary and low-value added sectors (Ercan, Karakas and Tanyilmaz 2008, 26). Privatisation provided opportunities for Turkish capital to pursue these two strategies by shifting money-capital from financial activities into fixed capital investments in high-value added sectors of the economy such as energy, telecommunication and capital-intensive manufacturing (Ozturk 2010, 163-164; Senalp 2012, 356). To explain this further, I will analyse three TUSIAD-based holding groups: Koc, Sabanci and Oyak.

The first example is Koc Holding, Turkey's largest conglomerate. In the aftermath of the 2001 crisis, the overall strategy of Koc Holding is to enhance international competitiveness (underlying profitability and power) of the group by following a deliberate focusing strategy. Koc Holding prioritized high-value added sectors (for example, automotive, household appliances, telecommunication, energy and finance) and withdrew from low-value added and secondary sectors (for example, insulation, supermarket retailing and animal food) (Senalp 2012, 355).⁶⁹ As part of this strategy, Koc Holding turned its attention to large-scale privatisations in the energy and communication sectors (Senalp 2012, 256).⁷⁰ The President of Koc Holding, Mustafa Koc, warned the AKP government in 2004: "Turkey has not made any progress towards privatisation so far. We need to hurry up".⁷¹ One year later, Koc Holding

⁶⁹ See "Continental Koc'tan Oltas'ı Alıp Distribütör Kendisi Oluyor", *Hurriyet*, 24 June 2008; "Koc Grubu Maret'i Namet'e Satti", *Hurriyet*, 21 June 2014; "Koc, Harranova'da Domates ve Salca Üretimini de Birakıyor", *Hurriyet*, 18 October 2013

⁷⁰ "Koc, Sabanci probe Turk Telekom, lottery sell-offs", *Hurriyet Daily News*, 26 September 2003

⁷¹ "Özelleştirmenin Onundeki İki Engel: Bürokratlar ve Yargıya Güvensizlik", *Zaman*, 20 January 2004

participated in the privatisation tenders of Turk Telekom and Tupras. It succeeded in acquiring the latter enterprise. The takeover of Tupras, which holds the number one spot on the list of the top 500 industrial companies in Turkey, had an epoch-making impact on the Koc Holding's profitability and turnover (Angin and Bedirnahoglu 2012, 162).⁷² The top-level officials of Koc Holding summarised this very well: "The purchase of Tupras is a very big step for Koc Holding. Tupras will help our holding jump a great deal above in the list of the top 500 companies of the world".⁷³

The second example is Sabanci Holding, Turkey's second largest conglomerate. In the post-2001 period, Sabanci Holding attempted to focus on high-value added information technology and energy sectors, instead of growing further in its traditional area of labour-intensive textile production, in order to become an international player (Senalp 2012, 356; Ercan, Karakas and Tanyilmaz 2008, 26). In this regard, Sabanci Holding envisioned telecommunication and energy privatisations as the centrepiece of its strategy. The holding officials increasingly voiced demands for the acceleration of the privatisation process in Turkey. For example, Sabanci Holding President, Sakip Sabanci, directed some questions to AKP in 2002, "What is privatisation of Turk Telekom waiting for? Isn't it in our agenda? When are we going to privatise it?"⁷⁴ In 2004, his successor, Guler Sabanci, stated that, "The fact that Turkey has been failing to privatise SOEs is causing concerns and hesitations in the private sector".⁷⁵ In 2005, Sabanci Holding participated but failed to win Turk Telekom and Tupras privatisation tenders. Sabanci Holding then turned its attention primarily to the electricity distribution privatisations. To that purpose, the holding established its 'Energy Group Unit', signed a partnership agreement with Austrian electricity giant Verbund, and announced that it would invest \$7 billion into electricity investments.⁷⁶ Within four years, Sabanci Holding won three

⁷² The net sales of Koc Holding were \$15 billion, while net sales of Tupras were \$8billion.

⁷³ "Koc will Continue Purchasing", *Today's Zaman*, 16 September 2005; Koc, Tupras'la Dunyanin 200 Devi Arasina Girecek", *Hurriyet*, 14 September 2005

⁷⁴ "Sabanci: Telekom'un Ozellestirmesi Neyi Bekliyor", *Zaman*, 8 February 2002

⁷⁵ "Sabanci: Ozellestirmeyi Bir Turlu Halledemedik", *Zaman*, 4 June 2004

⁷⁶ "Sabanci, Enerji'de Buyuyecek", *Zaman*, 14 February 2006; "Enerji'ye 7 Milyar Dolar Yatiracagiz", *Zaman*, 21 December 2006

privatisation tenders and reached over 20 per cent of the market share in the electricity distribution sector (see Table 4.7 below).⁷⁷

Table 4.7: Successful Privatisation Tenders of Sabanci Holding

Name of Privatized Enterprise	Year of Privatisation	Price Paid (\$ million)
Baskent Electricity	2009	1225
Istanbul Anatolian Side Electricity	2013	1227
Toroslar Electricity	2013	1725

Source: Privatisation Authority Website

The third and last example is OYAK Holding. In the post-2001 period, OYAK perceived large-scale privatisations as an opportunity to channel available funds, earned through the financial mechanism throughout the 1990s, to large-scale and high value-added productive investments to adjust the holding structure to new imperatives of competition (Ozturk 2010, 177-178). OYAK had already declared, before the mass scale privatisations in 2005, that it would definitely buy one of the major enterprises (Turk Telekom, Tupras, Erdemir and Petkim) that were up for privatisation (Angin and Bedirhanoglu 2012, 159). To strengthen its hands against other prospective buyers, the General Manager of OYAK, Coskun Ulusoy, even argued that if these strategic enterprises were going to be sold, then they should be acquired by patriots (Angin and Bedirhanoglu 2012, 159). In the end, OYAK achieved its objective and won privatisation tender of Erdemir in 2005. Soon after the Erdemir takeover, OYAK sold Oyakbank to Dutch ING Group and got rid off a number of small-scale and low value-added assets.⁷⁸

Anatolian Capital Groups

In the post-2001 crisis era, there were two concrete reproduction and profit opportunities that made privatisation the preferred option for Anatolian capital groups: (1) the existence of AKP, which would ensure their participation in the privatisation process, and (2) the reasoning that privatisations would present

⁷⁷ <https://sabanci.com.tr/en/strategic-business-units/energy/electricity-distribution/i-161>

⁷⁸ "Turk Salca Devi Tukas Satildi", *Hurriyet*, 8 August 2014

new and previously unavailable opportunities for their long-awaited expansion to reach the level of large holding groups of TUSIAD (Angin and Bedirhanoglu 2013, 83; Bugra and Savaskan 2014).

The Anatolian capital is not a homogeneous group -there are size differences and ideological divisions. First, Anatolian capital involves not only small and medium-sized enterprises, but also some large companies such as Yildiz Holding (Ulker), which recently acquired British food giant United Biscuits for \$3 billion.⁷⁹ Second, some Anatolian capital groups and entrepreneurs (for example, Ethem Sancak and Boydak Group) are organized in TUSKON (*Türkiye İşadamları ve Sanayiciler Konfederasyonu*; Turkish Confederation of Businessmen and Industrialists). TUSKON is heavily connected with the *Fettullah Gulen* Movement. The other Anatolian capital groups (for example, Calik Holding and Albayrak Group) are represented by the MUSIAD (Bugra and Savaskan 2014, 119-124). Despite size and ideological differences among them, what characterises and unifies Anatolian capital groups vis-à-vis TUSIAD-based holdings is their late participation in the capital accumulation process and their organisation often around Muslim business principles and political Islam (Ercan 2009, 39; Marois 2012, 101).

Anatolian capital groups perceived that, because the AKP has organic ties associated with them and sounded very eager to respond to the demands of all sections of capital, they would have relatively equal access to the Turkish state apparatus in general and privatisation process in particular (Angin and Bedirhanoglu 2013, 83). In one of his first public speeches after being elected, the Prime Minister Tayyip Erdogan sent messages to everyone stating that he wanted to ensure equal participation of different fractions of capital to state tenders by saying that, 'the Public Procurement Law, as it is, serves the interests of 50 or 60 firms, I will not leave the construction of a 15000 km long highway to 50 or 60 firms' (Ercan and Oguz 2006, 652). This kind of statement coming from the AKP eliminated initial concerns of Anatolian capital groups for the repetition of age-old exclusionary state attitudes toward them. Anatolian capital thus shifted from being an obstacle of privatisation process in the 1990s, to being an active supporter of the idea of privatisation and serious participant in

⁷⁹ "United Biscuits sold to Turkey's Yildiz for £2bn", *BBC News*, 3 November 2014

privatisation tenders suitable to their size in the 2000s (MUSIAD 2002; MUSIAD 2004).⁸⁰

I will give some examples to show the initial participation of four Anatolian capital groups in privatisation processes between 2003 and 2005. First, Calik Holding is a founding member of MUSIAD. It acquired operating rights of Bursa Gaz Distribution.⁸¹ Second, Kiler Group came from the Eastern Anatolian town of Bitlis to Istanbul in 1984 and specialised in food retailing. The Group belongs to the family of AKP Deputy Vahit Kiler (2003-2015). Kiler Group acquired Kutahya Sugar Factory from privatisations to complement its retailing activities (Bugra and Savaskan 2014, 88-89; Ercan 2009, 41). Third, Cengiz Holding originates from the hometown (Rize) of Prime Minister Erdogan. Cengiz Holding acquired Eti Bakir and Eti Aluminium via the privatisation process.⁸² Fourth, Albayrak Group is a prominent member of MUSIAD. The CEO of Albayrak Group, Omar Bolat, acted as the president of MUSIAD between 2004 and 2008. Albayrak Group took its first steps into the manufacturing and logistics sectors by winning three small-scale privatisation tenders.⁸³ It is important to note that the Anatolian capital groups mostly targeted small-scale (and some mid-scale) SOEs in the privatisation portfolio at that time. When compared to total privatisation receipts of Turkey between 2003 and 2005 (which stand close to \$10 billion), the participation of Anatolian capital in the privatisation processes remained limited (see Table 4.8).

Table 4.8: Initial Participations of Anatolian Capital Groups in Privatisation

SOE Privatised	Name of Buyer	Year	Price (\$ million)
Balikesir Seka Paper	Albayrak Group	2003	1.1
Trabzon Port	Albayrak Group	2003	22.4
Tumosan	Albayrak Group	2004	27.2
Bursa Gas	Calik Holding	2004	120
Eti Bakir	Cengiz Holding	2004	22
Kutahya Sugar	Kiler Group	2004	23.8
Eti Aluminium	Cengiz Holding	2005	305

Source: Privatisation Authority Website

⁸⁰ "Ozelleştirme Ulke Ekonomisine Yarasin" *Bianet*, 15 July 2003

⁸¹ The owner of Calik Holding, Ahmet Calik, is a close associate of Erdogan. For more information, see "Circulation Wars", *The Economist*, 8 May 2008.

⁸² "Seydisehir Alüminyum'u Basbakan'ın Hemsehrisi Aldi", *Milliyet*, 18 June 2005

⁸³ <http://www.albayrak.com.tr/En/Kurumsal/tarihce>

Having succeeded in winning several small-scale (and some mid-scale) privatisation tenders, Anatolian capital increasingly reasoned that privatisations would present new and previously unavailable opportunities for further expansion. These fortunes would help them to transform from medium-sized enterprises to large multi-sector conglomerates, epitomising the long-awaited jump through leagues to reach at the level of large holding groups of TUSIAD (Bugra and Savaskan 2014). Anatolian capital groups thus started to participate in large-scale privatisations from the late-2000s (see Table 4.9 below). First, Cengiz Holding won privatisation tenders of five large electricity distribution regions, including the Istanbul European side, with its partners Kolin Group and Limak Holding (Bugra and Savaskan 2014, 105). Second, Calik Holding won the privatisation tender of Yesilirmak Electricity Distribution on its own and partnered with Kiler Group to take over Aras Electricity Distribution. Third, IC Holding of Ibrahim Cecen, which was established in the 1970s, purchased Trakya Electricity Distribution and Kemerko-y-Yeniko-y Power Plant from privatisations (Bugra and Savaskan 2014, 105). Last, Boydak Holding, which is headquartered in the Central Anatolian province of Kayseri and acts a leading member of TUSKON, acquired three hydroelectric power plants from privatisations.⁸⁴

Table 4.9: Later Participations of Anatolian Capital Groups in Privatisations

SOE	Buyer	Year	Price (\$ million)
Camlibel Electricity	Cengiz Holding (with Limak and Kolin)	2010	259
Uludag Electricity	Cengiz Holding (with Limak and Kolin)	2010	940
Yesilirmak Electricity	Calik Holding	2010	442
Trakya Electricity	IC Holding	2011	575
Akdeniz Electricity	Cengiz Holding (with Limak and Kolin)	2013	546
Bogazici Electricity (Istanbul European Side)	Cengiz Holding (with Limak and Kolin)	2013	1960
Aras Electricity	Calik Holding and Kiler Group	2013	129

⁸⁴ "Boydak Holding Enerjide Satin Almalarla Buyuyor", *Dunya*, 10 April 2012

Kemerkooy-Yenikoy Power Plant	IC Holding	2014	2671
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Source: Privatisation Authority Website

Indeed, participation into privatisation tenders helped Anatolian capital groups to make significant gains, strengthen their positions in the Turkish economy and join the ranks of large capital (Ozturk 2010, 184). While MUSIAD had 1,717 members, of which only 60 employed more than 100 workers in 1995, 25 MUSIAD-affiliated companies found places among Turkey's top 500 industrial enterprises list, while 30 of them were among Turkey's second 500 industrial enterprises list in 2008 (Bugra and Savaskan 2014, 117-119). TUSKON also assumed a greater presence, having 45 TUSKON-affiliated companies among Turkey's top 500 industrial enterprises in 2010.^{85 86}

It is important to note that underlying this increasing participation of Anatolian capital groups in privatisation tenders are the diminished intra-bourgeoisie conflicts and enhanced sectoral articulations of different fractions of the power bloc. Both TUSIAD-based holdings and the Anatolian capital fraction of the power bloc crafted class compromises under the representation capacity of AKP to pave the way for the acceleration of the privatisation process in Turkey. While TUSIAD-based holding groups and Anatolian capital groups were trying to prevent each other's participation in privatisation tenders during the 1990s, they even joined forces to participate in privatisations together in the post-2001 crisis era (Ercan 2009, 41). One important example is the cooperation between Alarko Holding (TUSIAD member) and Cengiz Holding (Anatolian capital) to win the Meram Electricity Distribution privatisation tender in 2009.

The next example is more interesting. A leading TUSIAD member Koc Holding and founding MUSIAD member Yildiz Holding successfully bid \$5.7 billion to win a 25-year highway concession in the country's second-biggest privatisation in 2012.⁸⁷ Even though the government had later cancelled the tender on the grounds that the result had not met expectations, this shows compromises in the intra-bourgeoisie relations.⁸⁸ This partnership has more

⁸⁵ "ISO 500'de TUSKON'mu büyük MUSIAD mi?", *Patronlar Dunyasi*, 29 July 2010

⁸⁶ "İslami Sermaye, AKP ve TUSIAD", *Toplum Sol*, 20 March 2012

⁸⁷ "Koc Group Wins Turkish Highway Concession", *Financial Times*, 17 December 2012

⁸⁸ "Turkey Cancels \$5.7 billion highway privatisation tender", *Reuters*, 22 February 2013

meaning when we remember that the same Yildiz Holding was among the 'Islamic' companies that were blacklisted from military supply and construction contracts as a result of the 28 February 1997 process, which was backed by the TUSIAD to constrain the rise of Islam-influenced Anatolian capital groups.⁸⁹ Moreover, TUSKON members such as Boydak Holding and Fernas Group also joined TUSIAD. Ethem Sancak, who is known by his Islamic credentials and closeness to Prime Minister Erdogan, has become a member of the TUSIAD Board of Directors in 2007 (www.tusiad.org).

The AKP Government

I mentioned before that the AKP government internalized the common interests of all fractions of the power bloc towards an acceleration of privatisation and attempted to balance their conflicting involvement in privatisation transactions. For example, while the cadres of the Ministry of Industry favoured representatives of Anatolian capital, the Ministry of Economics constituted the power base of TUSIAD-based holding groups and foreign capital (Ercan and Tezcek 2010, 197).

The AKP government's support for the privatisation of SOEs can also be rethought, besides internalising the general interests of capital, in relation to its politically vulnerable position within the power relations, particularly during its first term in office (2002-2007) (Angin and Bedirhanoglu 2013). This was a period in which the AKP was in government but lacked confidence due to the fate of its defunct predecessors, the RP.⁹⁰ At the domestic and international level, there was a welcoming but cautious attitude towards the AKP's rise to government. Within such an atmosphere, the AKP had a special incentive to remain loyal to the policy targets of neoliberal agenda and accelerate the privatisation process. This would demonstrate domestic (TUSIAD and military) and international actors that the AKP is the right party to govern Turkey (Angin and Bedirhanoglu 2012, 149-150).

⁸⁹ "A Backlash Targets Muslim Activists and the Media Pick up the Cry", *Bloomberg Business*, 27 July 1997

⁹⁰ Personal interview with Oguz Oyan, Deputy of CHP (2002-present), 12th Subat 2013

The AKP government was committed to the acceleration of the privatisation process (Marois 2012, 178). In a personal interview, the IMF Head of Turkey, Mark Lewis (2010-2014) told me that, “the AKP showed the strong political will and a firm commitment to privatisation”.⁹¹ From the first day they were elected in November 2002, AKP officials signalled that they would like to start privatising as soon as possible. With the participation of politicians, bureaucrats, business associations and foreign capital, the AKP government adopted the Turkish Privatization Strategy Plan on 18 May 2003 (Sahin 2010, 489). A few days later, Prime Minister Erdogan stated that, they have been working intensely on the issue of privatisation and asked labour unions not to stand against the privatisation programme.⁹² When the AKP government refused to sell the state monopoly on tobacco and alcohol (TEKEL) because of low bids during the 2003-2004 period, an ideologically committed neoliberal and influential AKP government minister, Ali Babacan, who was vehemently opposed to any perception that AKP would fail to privatise, reminded critics of AKP that, “The privatisations will inevitably happen, the answer to the question whether the AKP government wants privatisation is of course a big yes”.⁹³ The AKP eventually kept its promises. The AKP generated more receipts from privatization than all previous administrations combined. From 1985 to the end of 2002, privatization receipts totalled just over \$9 billion. The AKP surpassed this amount in the first three years of its administration and went on to earn a total of nearly \$56 billion by the end of 2014 (Privatisation Authority Website).

4.5. Conclusion

The imperatives of over-accumulation and dictates of external actors are not powerful enough to address the question of why privatisations of SOEs in Turkey are characterized by regular accelerations, decelerations, breaks, about-turns, hesitations and changes in direction that have been played out since the 1980. There is a need for greater attention to the variegated character of the neoliberalisation process in Turkey and how the privatisation constituted an important strategy for individual and class agents within successive ‘phases’ of

⁹¹ Personal Interview with Mark Lewis, IMF Head of Turkey (2010-2014), 15th October 2012

⁹² “Erdogan’dan sendikalara: Lutfen ozellestirmenin karsisina dikilmeyin”, *Zaman*, 25 May 2003

⁹³ “Babacan: Ozellestirme olacak, illa ki olacak”, *Zaman*, 07 November 2003

the neoliberalisation process from the 1980s and 1990s to 2000s. In the post-2001 phase of neoliberalism, the different fractions of power bloc developed an unprecedented capacity to establish contradictory unity towards accelerating privatisation under the leadership of TUSIAD-based holding groups and the representation capacity of newly elected AKP government. There is a range of complex, contingent and structural factors within the post-2001 trajectory of neoliberalism in Turkey that affect the capacity of social forces to establish this unity. First, the TSE program and new domestic accumulation strategies that centred on international competitiveness provided a favourable context to the power bloc unity by making privatisation indispensable to the bourgeoisie as a whole. Second, the specific political context (for example, the existence of AKP) and class compromises made privatisation a preferred political strategy for different fractions of power bloc and the AKP government. Third, the AKP took a more radical turn in state restructuring that reduced intra-state conflicts and rendered the state apparatus conducive to privatisation.

In the next three case study chapters, I will elaborate more on these arguments and provide concrete details.

Chapter 5 –Privatization in Iron and Steel Industry: Erdemir

The establishment of state-owned Erdemir (Eregli Iron and Steel Enterprise; *Eregli Demir Celik Isletmeleri*) in 1965 represents a specific example of an institutionalised class compromise between domestic industrialists (TUSIAD; Turkish Industrialis Businessmen's Association; *Turk Sanayicileri ve Isadamlari Dernegi*), domestic private iron-steel companies and foreign capital that became embedded in Turkey's particular development strategy. The privatisation process of Erdemir started in 1987 and completed in 2005. To understand the privatisation process of Erdemir, it is necessary to analyse the historically evolving inter-relationships and compromises between TUSIAD, domestic private iron-steel companies and foreign capital as well as the impact of shifting structural forces on these relationships.

From 1987 to 2000, TUSIAD and domestic private iron-steel companies established a class compromise under the leadership of the former and created excessive debates around the nationality of potential buyers to prevent the sale of Erdemir to foreign capital (Onis 1991, 173). TUSIAD and private iron-steel companies were rejecting privatisation in order to maintain the comfortable relationships that were enjoyed with Erdemir (for example, access to inputs below market prices, opportunity to distribute Erdemir's products) when they preferred investing in financial markets and when there was limited exposure to world market competitive imperatives (Guran 2011, 40). After the 2001 crisis, TUSIAD, the hegemonic fraction of the power bloc, became supportive of the privatisation of Erdemir and its sale to foreign capital (Sahin 2010, 485). This is because TUSIAD reasoned that Erdemir's privatisation would bring productivity gains and attract FDI within the context of new domestic accumulation strategies, which were centred on the capacity of holding groups to compete internationally and engage in partnerships with foreign capital (TUSIAD 2003a, 2-3). In response, foreign capital gave positive responses to TUSIAD and voiced its interest to invest in Erdemir (Sahin 2010, 486). However, private iron-steel companies, dependent on Erdemir's products for their prosperity, attempted to create the nationalist discourse around Erdemir privatisation, as before, to shape

the outcome for their benefit (Angin and Bedirhanoglu 2012, 158). The compromise of TUSIAD and foreign capital won out against domestic private iron-steel companies at this certain moment. The intervention of the AKP (Justice and Development Party; *Adalet ve Kalkinma Partisi*) government in favour of TUSIAD was decisive. During this long privatisation process of Erdemir, the involvement of the popular classes in the process has been minimal.

I develop this argument in four sections. Section 5.1 looks at the early development of the iron and steel industry in Turkey. Section 5.2 specifically focuses on the expansion process of Erdemir and accompanying power struggles to retain ownership and control over the company. Section 5.3 discusses how the struggle between domestic and foreign capital prevented Erdemir's privatisation between 1987 and 2000. Section 5.4 explains how TUSIAD became supportive of privatisation and reached a compromise with foreign capital to conclude Erdemir's privatisation, and how private iron-steel companies engaged in a campaign against this compromise. This is followed by a brief conclusion.

5.1. The Early Development of the Iron and Steel Industry in Turkey: 1923 to mid-1980s

Turkish state productive authorities –such as the state managers, ministries of economy, and ministries of industry- assumed an active role in developing the iron and steel industry in Turkey along with domestic and foreign capital (Seni 1978). Specifically, British capital provided technical support to the construction of the state-owned Karabuk plant, whilst the US and Soviet Union financially helped establish the state-owned Erdemir and Isdemir plants respectively. Domestic capital was also directly involved in the Erdemir project as a shareholder and established a handful of privately owned iron and steel plants (Szyliowicz 1991). Since then the iron and steel industry has continued to expand and has constituted the backbone of national capitalist development of Turkey. The iron and steel sector initially aided infrastructure development by supplying iron and steel bars to railway construction projects (Szyliowicz 1991, 50). It then supported private capital formation by supplying key inputs to construction, automotive, machinery and household appliances sectors (Koc

1983, 75, 107). The iron and steel sector also enabled accumulation possibilities for private investors by providing them with opportunities to distribute iron and steel goods to consumers (DPT 2000b). The next few paragraphs below look at the development of the iron and steel industry from the early days of the Republic to the 1980s.

The Kemalist founders of the Turkish Republic (1923) took the initial steps towards establishing a modern iron and steel industry. They held the view that if Turkey were to become a modern and self-reliant country, it had to produce its own iron and steel products, and accorded a high priority in building modern steel plants (Szyliowicz 1991, 48). The Ismet Inonu CHP (Republican People's Party; *Cumhuriyet Halk Partisi*) government (1925-1927), controlled by Kemalist cadres, passed the Law 786 (Establishment of Iron and Steel Industry) from the Turkish Parliament in 1926 to lay the legal and institutional foundations for the iron and steel industry. The General Directorate of Military Factories then established a small-scale steel plant in Central Anatolia in 1932 with an annual capacity of 8,000 tons. Yet, state authorities soon recognised that this small plant was not capable of satisfying all domestic demand, which increased to 80,000 tons in the mid-1930s due to the construction of railway lines and textile factories (Szyliowicz 1991, 50).

Seeing the beginning of the Second World War as an opportunity to get financial and technical assistance from world powers, the ruling CHP government decided to make a more serious investment in the iron and steel industry by signing an agreement with a British company -H. A. Brassert- to establish Turkey's first integrated steel plant in Karabuk with a yearly capacity of 175,000 tons (Szyliowicz 1991, 51). Karabuk Iron and Steel Works (*Karabuk Demir Celik Fabrikalari*) was completed by the end of 1941 and constituted the biggest of the First Five Year Industrialisation Plan of Turkey (1934-1938) (Toros 1954, 28). Karabuk plant almost managed to meet Turkey's iron and steel demands, which accounted for 25 per cent of the total imports during the early 1940s (Seni 1978, 39-42). However, there was a major problem. The plant had been built in a small valley and there was not enough room left to build new facilities for expansion in order to satisfy increasing steel demand of developing Turkish capitalism (Szyliowicz 1991).

After World War II, the Turkish bourgeoisie began to industrialise on a massive scale for the first time. To do so, the would-be industrialists cooperated with foreign industry giants to acquire licences, technical know-how and investment credits to kick-start import substituting industrialisation (ISI) (Ozturk 2010, 61; Savran 2002, 10). This generated significant demand for iron and steel products. Specifically, the would-be industrialists required flat steel inputs, which were not manufactured at Karabuk, to sustain their flourishing ISI process (Koc 1983, 75, 107). The would-be industrialists thus urged the state authorities to organize and execute the establishment of another steel plant that would be responsible for the production of flat steel. To support private capital formation and get rid of foreign exchange shortages arising from the import of flat steel inputs, the DP (Democrat Party; *Demokrat Parti*) government (1950-1960) began in 1958 to carry out a feasibility study for Erdemir (Eregli Iron and Steel Enterprise; *Eregli Demir ve Celik Sirketi*) that would meet the country's flat steel needs (SPO 1963, 280-289).

There were two challenges ahead. The first challenge involved the lack of interest on the part of the Turkish private sector in directly contributing to the project. The government dealt with this challenge by persuading Is Bank and Vehbi Koc to join the project as private investors (IBRD 1972; Dundar 2006).⁹⁴ This meant that some domestic private capitalists grew to the extent that they could even participate in the large-scale investment projects. Apart from encouragement from government, Vehbi Koc had its own material reasons to involve the project. On the one hand, he was running several industrial establishments that required a constant supply of iron and steel inputs. On the other hand, he owned a mining company, Demir Export, that was mining and distributing iron ore to domestic and international customers. It is not surprising to note that Erdemir conducted its first iron ore purchase from Demir Export.⁹⁵

The second challenge was about the condition put forward by the USAID (US Agency for International Development). The USAID, as a financier of the

⁹⁴ Vehbi Koc states in his memoirs that he was persuaded to participate in Erdemir's project in the private meeting at the premises of Turkish Is Bank where Prime Minister, Adnan Menderes, was also present. Vehbi Koc also acted as Erdemir's deputy chairman and board member between 1961 and 1966 (Dundar 2006).

⁹⁵ Official Website of Demir Export, <http://www.demirexport.com/en/corporate/history/>

project, insisted on a condition that Erdemir must be run as a private enterprise, regardless of the extent of the state's shareholding, and for eventual transfer to private ownership (Szyliowicz 1991, 76-83). The DP government dealt with this challenge by passing a special law from parliament to ensure USAID that Erdemir would be run as a private enterprise (IBRD 1972). This law allowed Erdemir to have a unique management structure. Likewise, personnel and price setting policies were different from those of conventional state enterprises (IBRD 1972; Walstedt 1980; World Bank 1989). It is highly likely that the USAID showed interest in the project and insisted on this specific condition to ensure that Turkey went in the direction of capitalist development based on initiatives of private entrepreneurs, as opposed to the more centrally planned Soviet model. The USAID also aimed at paving the way for the internationalisation process of US capital by actively constructing investment opportunities in countries like Turkey (Gulalp 1985, 337).

Upon the Turkish government satisfying conditions, the USAID approved a loan for \$129.6 million in 1960 (Szyliowicz 1991, 76-83). After five years of construction, Erdemir began operating in early 1965 with an annual capacity of 470,000 tons of flat steel. The founding shareholders of Erdemir included Koppers Associates (a consortium of three US companies –Koppers, Blaw Know and Westinghouse International), Is Bank, TDCI (General Directorate of Turkish Iron and Steel Enterprises), Sumerbank and ATO (Ankara Chamber of Trade and Industry) (see Table 5.1).

Table 5.1: Founders of Erdemir

Name	Amount of Shares	Percentage of Shares Held (%)
Koppers Associate	450	22.5
Turkish Is Bank	600	30.0
TDCI	350	17.5
Sumerbank	350	17.5
ATO	250	12.5

Source: Erdemir's Articles of Association; IBRD 1972

In this way, there were three dominant fractions of capital at play within the ownership structure of Erdemir. First, Koppers Associates crystallised the interest of foreign capital. Second, Is Bank and ATO acted on behalf of the diverse

interests of Turkish industrialists. Third, two state-owned enterprises, Sumerbank and TDCI, spoke as the voice of the Turkish state. This ownership structure of Erdemir represents a specific example of post-war class compromise between foreign capital, Turkish industrialists and state enterprises that were embedded in Turkey's particular development strategy over iron and steel industry. This compromise was necessary to enable the historical development of the iron and steel industry to facilitate the stability of capitalist development in Turkey through ensuring provision of vital iron and steel inputs. It was the historical evolution of these inter-relationships and compromises between these three fractions of capital that had a strong impact on the power struggles to retain control over Erdemir and to shape its privatisation process. I will address this in detail in the following sections.

Throughout the 1960s and 1970s, Turkish industrialists continued to develop their manufacturing of durable consumer goods. At the same time, they started to build new housing facilities in major cities for the migrants from the countryside (Taylan 1984, 15). Within this context, the coalition government led by the AP (*Adalet Partisi*; Justice Party; 1975-1977) of Suleyman Demirel established Turkey's third integrated steel plant in 1975, Isdemir (Iskenderun Iron and Steel Enterprise; *Iskenderun Demir ve Celik Sirketi*). The key objective of the government was to satisfy the increasing demand for iron and steel products reflecting the steady expansion in manufacturing and construction sectors. Isdemir constituted one of the biggest investments of Turkey during the 1970s. Total investment figures of Isdemir were TL 6.5 billion, compared to TL 3.5 billion of Keban Dam and TL 2 billion of the Seydisehir Aluminum Plant, the other two big investments of Turkey. The Soviet Union covered half of the investment costs and provided technical assistance for the project with the expectation of entering a friendlier and more serious relationship with Turkey under the challenging conditions of the Cold War (Cumhuriyet Senatosu 1972, 51, 70; Szyliowicz 1991, 156).

Isdemir, which was established in 1975, remained as the last state-established iron and steel plant in Turkey. The Turkish state has since carried out a number of serious structural adjustment operations within its roles and functions as a result of the rise of neoliberalism as a political project, which came

about at the end of the 1970s. This included cutting direct state investments and reordering public expenditure priorities from productive investments (for example, iron and steel) to more infrastructural investments (for example, electricity and telecommunications) (Yalman 2009, 259-260; Turel 2011, 98). This entailed encouraging the private sector to show an interest in iron and steel investments (DPT 2000b). Between 1978 and 1988, private industrialists opened several iron and steel plants at different locations in Turkey (see Table 5.2).

Table 5.2: Selected Privately Owned Iron and Steel Plants in Turkey

Name of Plant	Year of Establishment
Cayirova Boru (Yucel Group)	1978
Asil Celik (Borusan Holding)	1980
Diler Holding Demir Celik	1980
Ekinciler Holding Demir Celik	1983
Ege Metal	1985
Habas Group Demir Celik	1987
Assan Aluminium (Kibar Holding)	1988

Source: Turkish Iron and Steel Producers Association Website

The privately owned steel plants have three distinct features. First, they tend to be smaller in size than state-owned steel plants. Second, they are not integrated steel plants that handle everything in one complex form putting together iron ore and coke coal to steel making, rolling and shaping. Instead, they use electric arc furnaces for processing scrap metal or intermediate goods to produce iron and steel (DPT 2000b). Third, they are highly dependent on Erdemir and Isdemir to acquire inputs. For instance, Asil Celik has to purchase semi-finished products (e.g. steel roll) from Erdemir to manufacture various iron and steel products (DPT 2000b). As I will show in sections 5.3 and 5.4, this dependency on Erdemir will compel private iron-steel companies to become involved in struggles for shaping the privatisation process of Erdemir.

This section has demonstrated that the compromise between state productive authorities, foreign capital and domestic capital has enabled the historical development of the iron and steel industry since the early days of the Republic. However, from mid-1970s onwards, there were signals that this compromise was about to be dissolved.

5.2. Erdemir: Expansion Process and Power Struggles (1965-1988)

In the wake of its establishment in 1965, Erdemir experienced several phases of expansion over two decades (World Bank 1989). The expansion of Erdemir came about the same time as the struggle between different agents of the power bloc to retain ownership and control over the company. Politicians understood that Erdemir was the largest and most integrated flat steel plant of Turkey with a significant employment potential and power base (Szyliowicz 1991). Domestic industrialists understood that Erdemir's flat steel products such as hot roll, cold roll, and tinplate were vital for their industrial activities. After a brief overview of the development of Turkish iron and steel industry in the previous section, this section specifically focuses on the expansion process of Erdemir and accompanying power struggles to retain ownership and control over the company. What we see is that the underlying class formation processes of domestic capital caused formerly institutionalized compromises and strategies to be no longer viable: 'struggle' wins out over 'unity'.

Erdemir's expansion process throughout the 1970s and 1980s increased its capacity and influence in the Turkish economy significantly. The AP government (1965-1971) and the USAID organised an interim expansion of Erdemir between 1969 and 1972 with relatively minor additions. This increased Erdemir's steel production capacity to 800,000 ton/year (Szyliowicz 1991). Subsequently, Erdemir embarked on its first major expansion (Stage I Expansion Project) in 1973. The World Bank, Turkey's Exim Bank and USAID supported the project financially. When the project was completed in 1978, Erdemir's steel production capacity rose to 1.1 million ton/year (World Bank 1989, 16). Soon after, Erdemir began the 'Stage II Expansion Project'. When this expansion project was completed in 1987 with loans from the World Bank, Erdemir's production capacity rose to 1.65 million ton/year (World Bank 1989, 17). It is important to note that the actual costs realized for the 'Stage I' and 'Stage II' expansion projects were significant by Turkish standards. For example, the cost of the 'Stage II' project was more than ten times the cost of establishing eight cement plants or nine sugar plants elsewhere in Turkey at the time (World Bank 1981, 28).

Since its inception, there had been compromises and power struggles between political parties, foreign capital and domestic big industrialists to retain control and ownership of Erdemir. The compromises and power struggles are always reflected in Erdemir's board of directors. The board governs the business of enterprise and consists of nine members who are elected by the shareholders for periods of two or three years (Erdemir 1965). The composition of the board in the first ten years of establishment was such that Koppers Associates had three members; while Is Bank, ATO, TDCI, Sumerbank and Vehbi Koc had one member each (IBRD 1972, 3, 42).⁹⁶ As such, state productive authorities, foreign capital, and domestic capital were balancing each other inside the board. The compromise, stability and continuity thus characterised the board at that time. As such, Erdemir had only two chairmen from 1961 to 1972 (IBRD 1972, 3-4).

The power struggles to control Erdemir intensified during the mid-1970s onwards mainly due to class formation processes of domestic capital. First, by the early 1970s a small number of increasingly monopolistic national family-based industrialists turned into aggressive holding groups and formed TUSIAD (as elaborated on in Chapter 3). The TUSIAD-based holding groups accumulated a desire to limit the power of foreign capital over long-term domestic interest. This entailed restricting foreign capital from assuming ownership and control of major SOEs such as Erdemir. The desires of TUSIAD-based holding groups were internalized by the National Front Government (1975-1977). The National Front Government pressured the Koppers Associates and foreign investors to sell their shares in Erdemir. As a result, these foreign investors sold their shares to DESIYAB (State Industry and Labour Investment Bank) (World Bank 1978, 3).⁹⁷ The decision of foreign investors to sell their shares in Erdemir might also have been influenced by the worsening macroeconomic and political conditions of Turkey, as well as the changes in the global political economy in the early 1970s such as the decline of the US economy and the world recession.

Hence, there were no longer any representatives of foreign capital in Erdemir's board. This caused the different fractions of domestic bourgeoisie to

⁹⁶ "Erdemir'i Uretenler Yonetmeli", *Birgun*, 27 Temmuz 2005

⁹⁷ Under the leadership of National Salvation Party of Erbakan, National Front Coalition Government set up DESIYAB in 1975 to help the Turkish state to get rid of concessions given to foreign capital and subordination of Turkey to the interests of the US.

struggle to retain ownership and control over Erdemir. In line with the newly emerging intra-bourgeoisie conflicts in Turkish economy (as elaborated on in Chapter 3), the increasing presence of TUSIAD-based holding groups within Erdemir's management clashed more and more with the interests of Anatolian capital (Cokgezen 2000, 531; Oguz 2008, 96). The main issues of conflict involved access to products of Erdemir and placing supporters into key administrative and managerial posts (Szyliowicz 1991, 151). Necmettin Erbakan's MSP (National Salvation Party; *Milli Selamet Partisi*) developed strong ties with Anatolian capital and attempted to institutionalise its priorities and interests in Erdemir's management apparatus (Cokgezen 2000, 531). For example, once in power, and as part of the coalition government, the MSP appointed Yahya Oguz, close associate and undersecretary of Erbakan, as Chairman of Erdemir's board in 1976.⁹⁸ These power struggles (for example, domestic vs. foreign, TUSIAD vs. Anatolian capital) continued in the later decades and give an insight into why some individual and collective agents of the power bloc resisted the privatisation of Erdemir between 1987 and 2005. I will turn to this in the next section.

5.3. The Struggle to Prevent Privatisation of Erdemir: 1987-2000

The privatisation of Erdemir was long and difficult, beginning in 1987 and ending in 2005. In this section, I will discuss the early phase of the Erdemir privatisation process from 1987 to 2000 by mostly relying on primary research.⁹⁹ What we see in the early phase of Erdemir privatisation is that different domestic fractions of capital established a class compromise under the leadership of TUSIAD-based holdings to prevent the privatisation of Erdemir as well as its sale to foreign capital. The logic of their opposition was related to

⁹⁸ "Bir baska Yahya, bir baska Oguz", *Milliyet*, 21 Mayis 1976

⁹⁹ Little academic research has been carried out on privatisation and Erdemir and there is still relatively little known academically about privatisation process of Erdemir. I relied little on academic sources. To compensate, I pursued a field research into the issue of Erdemir's privatisation and conducted interviews with experts and businessmen. I also did an extensive review of the government documents and newspapers. Some of these you will find written into the pages that follow.

capital accumulation imperatives and comfortable relationships that were enjoyed with Erdemir.

In 1987 the ANAP government transferred state controlled shares of Erdemir to the state agency responsible for privatisation transactions (TKKOI - *Toplu Konut ve Kamu Ortakligi Idaresi*; Mass Housing and Public Participation Administration) (Privatisation Authority 2012). The TKKOI officials announced two years later that they had completed all necessary preparations to open a tender for privatisation of Erdemir through a block sale method.¹⁰⁰ The government and the TKKOI were attempting to privatise Erdemir as a result of the increasing financial constraints of the state as well as the pressures of IFIs as part of structural adjustment loans (SALs). The ANAP government tried to justify the block sale of Erdemir (mostly to foreign capital) on the grounds that it would attract foreign investment that would bring in technology and foreign exchange (Patton 1992, 114; Angin and Bedirhanoglu 2012, 147).

The privatisation announcements caused discontent among various fractions of the Turkish power bloc (Onis 1991, 173). Notably, the powerful TUSIAD, a representative body of large Turkish holdings, feared that the privatisation process of Erdemir would rely extensively on foreign investors and there would be no adequate participation of domestic capital (TUSIAD 1986). TUSIAD published a position paper on privatisation when the government announced Erdemir privatisation:

“National capital is not in a strong position to purchase major SOEs (for example, Erdemir, Petkim) due to current economic conjuncture. Collective savings of Turkish public is inadequate either. This paved the way for the government to see foreign capital as the only possible side of privatisation. If privatisation continues like this, Turkey would face unexpected and undesired foreign monopolisation”.¹⁰¹

Unsurprisingly, TUSIAD attempted to prevent foreign capital from purchasing Erdemir (Onis 1991, 171). TUSIAD understood that Turkish holding groups were not in strong position to compete with foreign capital due to two reasons. First, there was the possibility of making lucrative gains in financial

¹⁰⁰ “Ozellestirmede guz atilimi”, *Cumhuriyet*, 13 Agustos 1989

¹⁰¹ “Ozellestirmede TUSIAD’in tavri”, *Cumhuriyet*, 14 Ekim 1989

markets (for example, lending to the state, providing short-term financing in money markets). This resulted in a decline in the interest (and available resources) of holding groups to invest in Erdemir's privatisation (Ozturk 2010, 149). Second, the priorities of the Turkish economy did not centre on the capacity to enhance competitiveness and compete in export markets (Yalman 2009, 267, 275). This enabled holding groups to maintain their privileges in Erdemir, irrespective of whether they cause inefficiency and productivity losses.

The TOBB (Union of Chambers and Commodity Exchanges of Turkey; *Turkiye Odalar ve Borsalar Birliği*) and the ISO (Istanbul Chamber of Industry; *Istanbul Sanayi Odası*) represented the interests of relatively smaller domestic businesses including private iron and steel companies. The opposition of TOBB and ISO was based more on their perception that Erdemir provided strategically important economic inputs to the Turkish economy.¹⁰² TOBB and ISO members understood that if foreign capital purchased strategic Erdemir, they would not be able to successfully negotiate alterations in input prices as they traditionally used to make with the state authorities and state managers.¹⁰³ TOBB and ISO thus warned the government that, 'If you sell Erdemir to foreign capital, it would be very difficult and destructive for Turkish industrialists to access iron and steel inputs'.¹⁰⁴

Amidst widespread reactions from fractions of power bloc that generated popular opposition, the ANAP government and the KOI (*Kamu Ortakligi Idaresi*; Public Participation Fund; a successor of TKKOI) decided in 1990 to temporarily abandon the strategy of block sale to foreign capital (Onis 1991, 173; Patton 1992, 116).

The next attempt to privatise Erdemir came after the 1994 crisis. The DYP (True Path Party; *Dogru Yol Partisi*; 1993-1995) government was pro-privatisation in general. Prime Minister Tansu Ciller, who envisaged SOE privatisation as a possible solution to the ever-soaring public deficit, took the attitude that privatisation of Erdemir was necessary no matter the effort involved (Boratav 1999, 282). Once again, Ciller's officials turned the block sale method to privatise Erdemir. They opened tenders for the block sale of Erdemir

¹⁰² "Petkim için bu telas niye", *Cumhuriyet*, 14 Eylül 1989

¹⁰³ "Yabancı sermaye kuskusu", *Cumhuriyet*, 15 Mayıs 1989

¹⁰⁴ "Satisa tavir hazirligi", *Cumhuriyet*, 29 Eylül 1989

in 1995 and 1997 consecutively, but these tenders proved unsuccessful (Privatisation Authority 2012). This is because individual and collective agents of the Turkish power bloc either showed little interest in purchasing Erdemir or attempted to prevent those who bid to acquire the company for similar reasons (Onis 2011, 714).

For example, in the first tender in 1995, eight investors negotiated with state officials to purchase Erdemir. Yet, the PA (Privatisation Authority; *Ozelleştirme İdaresi Başkanlığı*; successor of KOİ) cancelled the tender on the grounds that it received very low offers (Privatisation Authority 2012). The bidders included Bayindir Holding and OYAK, Colakoglu Group, Borusan and USX Engineers, Bayraktar Holding, May Madencilik, Koc Holding, Nippon Denra, and Rumeli Holding (TBMM Komisyon Raporu 1998, 47).¹⁰⁵ Two points stand out here. First, the involvement of foreign capital was minimal. This was partly the result of hostility on the part of the Turkish power bloc towards the sale of Erdemir to foreign investors. The foreign investors were also discouraged given the environment of macroeconomic instability and bureaucratic restrictions (Onis 2011, 714). Second, the majority of the bidders were either domestic industrialists (for example, Koc Holding, OYAK Group) that were using Erdemir's final products in their manufacturing activities or domestic private iron and steel companies (for example, Borusan Holding, Colakoglu Group) that were dependent on Erdemir's semi-finished products. The low value of bids suggests that the bidding domestic companies were not serious in purchasing Erdemir. It is possible that domestic companies bid to prevent the sale of Erdemir to foreign capital in their absence (Ercan and Oguz 2006, 655). The second tender in 1997 generated even less interest. Only two investors (Rumeli Holding and Zonguldak Yatirim) bid for Erdemir (TBMM Komisyon Raporu 1998, 50; Privatization Authority 2012). The PA cancelled the tender on August 1997.

5.4. The Successful Privatisation of Erdemir: Post-2001 Era

This section will show how TUSIAD, the hegemonic fraction of power bloc, became supportive of the privatisation of Erdemir and its potential sale to

¹⁰⁵ "Erdemir'de hayal kırıklığı", *Sabah*, 29 Ocak 1997

foreign capital after the 2001 crisis and how it reached a compromise with MUSIAD (*Mustakil Sanayicileri ve Isadamlari Dernegi*; Independent Industrialist Businessmen's Association) and foreign capital to conclude the privatisation of Erdemir. Despite the counter-strategy of a handful of domestic iron and steel companies to create the nationalist discourse to shape Erdemir's privatisation process in their favour, the TUSIAD-based compromise won out. The intervention of the AKP government in favour of TUSIAD to marginalize the nationalist discourse concluded privatisation of Erdemir in the 2005.

TUSIAD and Erdemir Privatisation

In the post-2001 crisis era, TUSIAD became supportive of the privatisation of Erdemir. The shifting structural forces had an impact on this. Under the context of the post-2001 crisis capital accumulation strategies, which centred on the capacity of holding groups to compete internationally and engage in partnership with foreign capital (as elaborated on in Chapter 4), TUSIAD increasingly reasoned that Erdemir's privatisation was necessary to intensify competitiveness, reproduce labour power and attract foreign direct investment (TUSIAD 2004; Sahin 2010, 485). In that regard, the DPT (State Planning Organisation; *Devlet Planlama Teskilati*) and TUSIAD have been working together since 2000 to prepare 'Strategy Reports' in order to stress the fact that the primary objective of Erdemir must be to contribute to the competitiveness and sustainability of Turkish industry (DPT 2000b; DPT 2007c). This is because Erdemir's products are being used, for example, in Arcelik fridges (Koc Holding) and Vestel televisions (Zorlu Holding) that began to compete with international firms to acquire a market share in European and Asian markets (TUSIAD 1999). In a personal interview, Zorlu Holding Strategy and Business Director, Ali Yalcin, told me that, "Holding groups pushed for the privatisation of Erdemir, because long-term oriented and inflexible supply agreements of Erdemir were making it difficult for them to purchase iron-steel inputs in a timely manner".¹⁰⁶

¹⁰⁶ Personal Interview with Ali Yalcin, Zorlu Holding, Director of Strategy and Business Department, 2 February 2013

TUSIAD became open and supportive of the potential sale of Erdemir to foreign capital as well. TUSIAD reasoned that foreign capital inflows through privatisation transactions including Erdemir were vital means by which to enhance competitiveness and complete the necessary expansion and modernisation investments in Turkey (TUSIAD 2003, 2; TUSIAD 2004, 4; TUSIAD 2005, 2-4).¹⁰⁷ It is in this light that one needs to read the assessment of the foreign capital's interest in the Erdemir and Tupras privatisation transactions of the CEO of Koc Holding, Mustafa Koc, as expressed in a newspaper interview:

"I admit that we did not welcome foreign capital [to participate privatisation tenders] in the past. However, our viewpoint on foreign capital has changed. Nowadays, opposition to foreign capital is meaningless and conspiracy theories about foreign capital are completely absurd. The basic need of Turkish economy is to make investments and making of those investments are more important than who made them".¹⁰⁸

To attract much needed foreign capital, TUSIAD urged the AKP government to craft a legal and institutional framework in support of the participation of foreign capital into the Erdemir privatisation in particular and privatisation tenders of major SOEs in general (TUSIAD 2003, 2).

The MUSIAD, representative business association of Anatolian capital that organised around Muslim business principles and political Islam, also shifted its policy stance from being initially the fiercest actor against foreign capital to being supportive of foreign capital's participation in Erdemir's privatisation tender. One important MUSIAD official stated that 'there is no difference between Arabic or Jewish or Turkish capital, racism over the origin of capital only drives foreign investors away'.¹⁰⁹

Foreign steel giants such as Arcelor, Mittal and NLMK gave positive responses to the invitations of TUSIAD and MUSIAD and strongly voiced their interest in purchasing Erdemir (Sahin 2010, 486).¹¹⁰ Foreign steel giants even announced that they would see Erdemir's acquisition as a direct and long-term

¹⁰⁷ "Koc'tan yabancı sermayeye destek: Birakin sinirlamayi, tesvik edilmeli", *Zaman*, 13 Temmuz 2005

¹⁰⁸ "Koc Holding CEO: Our viewpoint on foreign capital has changed", *Today's Zaman*, 28 October 2005

¹⁰⁹ "Racism over capital drives foreign investment away", *Today's Zaman*, 15 October 2005

¹¹⁰ "Arcelor plans \$3.5bn spree on eve of Erdemir sale", *Financial Times*, 2 October 2005

investment to satisfy the increasing demand for flat steel products within Turkey's growing industrial sector, rather than short-term flow or portfolio equity.¹¹¹ Following these announcements at a discourse level, foreign steel giants made material commitments of accepting a condition of an Erdemir tender specification, in that they would complete a \$2.7 billion investment programme that was under way, if they were to win the privatisation tender (Privatisation Authority 2012). The specific global context at the time also enabled the participation of foreign steel giants in Erdemir privatisation. First, the deepening of neoliberalism globally as part of the post-1990s was embedded within transnationally interconnected geographical scales (Brenner et.al. 2009). Second, the improved financial performance of the steel industry since the early 2000s had led to financially very powerful global players, with the need to reinvest excess cash through a number of important and unprecedented mergers and acquisitions (Steel Consult, 4-16).

Where does this leave us? I have shown that the TUSIAD has assumed leadership for establishing class compromise for the privatisation of Erdemir. TUSIAD-based holding groups (for example, Koc Holding, Zorlu Holding, Sabanci Holding) accepted a compromise by shifting their positions from being against the Erdemir privatisation to being supportive of the Erdemir privatisation and by having no objections to the participation of foreign capital. Foreign capital agreed to compromise by seeing Turkey as an attractive FDI destination in general and the Erdemir privatisation as a long-term investment rather than speculative investment in particular. MUSIAD-based Anatolian firms also agreed to compromise by temporarily putting decades-old grievances against TUSIAD and foreign capital away. For the first time, the privatisation of Erdemir became the common objective for TUSIAD, MUSIAD and foreign capital.

Counter-Strategy of Domestic Private Iron and Steel Companies

The majority of the domestic private iron and steel companies including Ekinciler Iron-Steel, Assan Iron-Steel, Borusan Mannesmann, Diler Iron-Steel preferred to stay out of the class compromise during the early- and mid-

¹¹¹ "NLMK pre-qualified to bid for Erdemir", *NLMK Press Release*, 22 July 2005

2000s.¹¹² These iron and steel companies refused to accept the privatisation of Erdemir (and its potential sale to foreign capital). They attempted to create the nationalist discourse around Erdemir privatisation as a counter-strategy to shape the outcome and protect their historically privileged relationship with Erdemir (Angin and Bedirhanoglu 2012, 157-158). Below I will explain why they refused to compromise and how they pursued a counter-strategy.

Domestic private iron and steel companies refused to compromise because they were strategically dependent on Erdemir to make business (Angin and Bedirhanoglu 2012, 160). Some of them had institutionalized special connections to purchase inputs from Erdemir below market prices. Some of them enjoyed privileges to distribute Erdemir's products to the world market and thereby making large profits. In that respect, the Eight Five-Year Development Plan of Turkey (2001-2005) demonstrates that the operations of Erdemir directly influence the profitability of domestic private iron and steel companies (DPT 2000b). This caused concerns for domestic private iron and steel companies in that the new owner (probably a foreign company) of Erdemir might harden their access to inputs and put an end to special privileges. In a personal interview, the advisor of steel giant Arcelor (2003-2005), Kemal Ozden, told me that 'domestic private iron and steel companies aimed at shaping privatisation process of Erdemir to protect their well-established privileges'.¹¹³

The examples of Kibar Holding and Borusan Holding illustrate these patterns of interdependency and privileges. First, Kibar Holding operates within the iron and steel sector with two subsidiaries, Assan Iron-Steel and Kibar Foreign Trade.¹¹⁴ The former subsidiary was acquiring flat steel from Erdemir to manufacture various iron and steel products, with an understanding that it considered the specific demands of industrial companies and final customers (DPT 2000b, 41). The latter subsidiary has been exporting nearly 40 per cent of Erdemir's production to world markets since the mid-1980s. The privatisation of Erdemir would mean the loss of these privileges for Kibar Holding. Second,

¹¹² "Steelmaker Erdemir to Remain in Turkish Hands at Steep Price", *The Wall Street Journal*, 5 October 2005

¹¹³ He used to work as an advisor of Arcelor (2003-2005). He is now acting as Chief Advisor of Corporate Strategy in Erdemir (Personal Interview on 29 January 2013).

¹¹⁴ www.kibar.com

Borusan Holding has continued to grow in the iron and steel industry with Borusan Mannesmann, a steel pipe manufacturer, and Borcelik, a cold rolled and galvanized flat steel producer.¹¹⁵ These two subsidiaries of Borusan Holding purchased vital inputs from Erdemir. For example, the cost of steel roll, the only domestic supplier of which is Erdemir, constituted 65 per cent of the total production cost of Borusan Mannesmann (DPT 2000b, 40, 105). Moreover, Erdemir was among the partners of Borcelik by holding 8.5 per cent of the company's shares.¹¹⁶ This meant that Borusan Holding, with its iron-steel subsidiaries of Borusan Mannesmann and Borcelik, had a strategic relationship with Erdemir.

Domestic iron and steel companies pursued a strategy of tying Erdemir privatisation to nationalist sentiment as a means of shaping the outcome in such a way that their strategic relationships and special privileges with Erdemir would not be harmed. To that purpose, domestic iron and steel companies opened two different fronts around the nationality of potential buyers. First, they influenced Kerim Dervisoglu (2003-2005) and Atamer Giyici (2003-2005), General Directors of Erdemir and Isdemir respectively, to protest the sale of Erdemir to a foreign company.¹¹⁷ The purpose was to eliminate potential and interested buyers on the grounds of them being foreigners. Dervisoglu and Giyici mobilized to create a discourse around the perceived threat of foreign control over Erdemir by giving interviews and speeches to government authorities and the general public.¹¹⁸ Dervisoglu and Giyici suggested that, instead of a block sale to foreign companies, the shares could be privatised via a public offering method, citing the South Korean POSCO model as an example. Subsequently, they quit their jobs to protest (Angin and Bedirhanoglu 2012, 158).

¹¹⁵ http://www.borusan.com.tr/EN/GroupSteel_BMBoru.aspx

¹¹⁶ "Oyak and Arcelor reach agreement", *Sunday's Zaman*, 30 December 2005

¹¹⁷ Kerim Dervisoglu and Atamer Giyici had institutionalized relationships with domestic iron and steel companies. Before being appointed to Erdemir, Kerim Dervisoglu was advisor of Borcelik of Borusan Holding (1993-2003). After he resigned from Erdemir, he became board member of Kibar Holding. Before being appointed to Erdemir, Atamer Giyici acted as a general director of Assan Aluminum of Kibar Holding (1999-2003). After resigning from Erdemir, he went back to Assan Aluminum.

¹¹⁸ For more information, see (<http://www.paslanmazsanayi.com/-1-85-atamer-giyici-yillik-uretim-kapasitemizi--250000-tona-cikaracagiz.html>) and (<http://www.makinastore.com/-1-2129-turk-demir-celik-sektorunun-duayeni-a-kerim-derv304350o286lu.html>)

Second, having understood that the Erdemir privatisation could not be halted, domestic iron and steel companies joined together and formed a national consortium, the Erdemir Consortium, under the coordination of TOBB to bid for Erdemir (Oxford Business Group 2007, 50). The participants of Erdemir Consortium included major domestic iron and steel companies such as Kibar Holding, Icdas Celik, Toscelik, Borusan Holding, Diler Holding and Fiba Holding (Privatisation Authority 2012). In a personal interview, the spokesman of Erdemir Consortium clarified that the Consortium was specifically interested in preventing global steel giants, such as Arcelor and Mittal, from acquiring Erdemir. This is because the Consortium reasoned that Erdemir was providing vital inputs for the iron and steel sector and the access to inputs would be difficult if a foreign owner bought the plant.¹¹⁹

However, it is important to note that the Consortium was not advocating categorical opposition to foreign capital. The President of TOBB, Rifat Hisarciklioglu, made it clear that the Consortium was not against privatisation and foreign investment. However, Turkish companies had to unite and struggle to win the tender of Erdemir to become global players rather than mere subcontractors (Angin and Bedirhanoglu 2012, 159). More importantly, most participants in the Consortium had foreign partners from different sectors. For example, Borusan Holding (a participant in the Consortium) partnered with global steel giant Arcelor and German Mannesmann in its iron and steel investments, as well as with the German multinational BMW in the automotive sector (Dalbeler 2007; Borusan Holding Official Website). Kibar Holding (a participant in the Consortium) also partnered with South Korean companies POSCO and Hyundai in its iron-steel and automotive investments (Kibar Holding Official Website).

The AKP's Commitment to Privatisation

The AKP is generally a pro-privatisation political party (Ertugrul 2009, 531). The AKP, in spite of its Islamist origins, proved to be highly committed to extending

¹¹⁹ Personal Interview with Serdar Kocurk, Board Member of Kibar Holding, Spokesman of Eregli Consortium, 6 February 2013

the path of Turkey's neoliberal integration into the global economy with a new wave of privatisation of SOEs (Onis 2011, 715-718).

In the specific case of Erdemir, the AKP government captured the recently established compromise between TUSIAD, MUSIAD and foreign capital and showed a firm commitment to the Erdemir privatisation without making any distinction between domestic and foreign buyers. In reaction to the nationalist discourse of the Erdemir Consortium, the then Prime Minister, Recep Tayyip Erdogan, declared openly that the government was seeking foreign capital involvement in Erdemir. One motivation of the government included putting an end to the decades-old tradition of national companies exploiting the state (and Erdemir) in the midst of a fiscal crisis of the state (Angin and Bedirhanoglu 2012, 158). Another motivation involved attracting more foreign direct investment in Turkey. Finance Minister, Kemal Unakitan, approved the government's inclination towards foreign buyers in Erdemir by saying that 'AKP welcomes foreign capital to Turkey because foreign direct investment could contribute to national development, investment in fixed assets and job creation'.¹²⁰

These statements of prominent AKP officials were decisive in marginalising the nationalist discourses of domestic iron and steel companies and managers of Erdemir within the state apparatus. In this way, the government policy subsequently framed how state institutions and documents presented the process. As the PA Head of Erdemir Privatisation Project, Yesim Kurna, clarified in the personal interview, important state institutions such as the SPO, the PA and the Undersecretary of Treasury developed uniform positions on privatisation of Erdemir and involvement of foreign capital into the process.¹²¹

The firm commitment of the AKP to the privatisation of Erdemir enhanced the interest of both domestic and foreign investors. The strong interest in the tender led to intense competition between potential buyers (Oxford Business Group 2007, 50). The domestic holding OYAK made the highest bid (\$2.77 billion) in the tender in October 2005 and managed to acquire 49.29 per

¹²⁰ "Finance minister puts 2005 privatization target at over \$20 billion", *Hurriyet Daily News*, 28 September 2005; "Unakitan: Yabancıya tek çözümümüz Welcome", *Milliyet*, 28 Eylül 2005

¹²¹ Personal Interview with Yesim Kurna, Privatisation Authority (1994-present), Head of Erdemir Privatisation Project, 13 February 2013

cent of Erdemir's shares ahead of the Erdemir Consortium, Arcelor and Mittal (Onis 2011, 720). The resulting price tag was 86 per cent higher than the stock-exchange value of the company (Angin and Bedirhanoglu 2012, 159).

The Popular Classes

During Erdemir's long privatisation process between 1987 and 2005, there was very little involvement of the popular classes in the process. This was due to two factors. First, as mentioned previously, Erdemir had a special incorporation statute (law). This special statute classified Erdemir as a sort of public-private partnership rather than a conventional state enterprise (Szyliowicz 1991). This limited the capacity of popular classes to legally challenge Erdemir's privatisation on the basis of public interest. Yet, popular classes rarely challenged the Erdemir privatisation on technical grounds. One of the few involvements of the popular classes into Erdemir privatisation process was the legal challenge of the KIGEM (*Kamu Isletmeciligini Gelistirme Vakfi*; Center for Development of Public Management) during the mid-1990s. KIGEM filed a legal claim to Ankara 3rd Administrative and succeeded in cancelling the privatisation tender of Erdemir on the grounds that the valuation techniques and sales method of the tender went against the Privatisation Law (4046).¹²²

Second, the pro-privatisation and patron-client attitudes of the sectoral labour union of Erdemir, Turk-Metal (Turk Metal Workers' Union), also constrained the independent involvement of the popular classes in Erdemir's privatisation process (Blind 2008, 109). Rather than organising six thousand Erdemir workers against privatisation (TBMM Komisyon Raporu 1998, 11), Turk-Metal explicitly collaborated with the domestic iron and steel companies (Onis 2011, 720-721). The union promoted a national sentiment, particularly over the prospect of ownership of Erdemir being sold to foreign capital that naturally supported the cause of domestic iron and steel companies. The President of Turk Metal, Mustafa Ozbek, argued that, if Erdemir was sold to foreign companies, Turkey's future would be left to the mercy of foreigners

¹²² "Soysal'dan yeni iptal davaları", *Zaman*, 25 Subat 1997; "Erdemir ozellestirmesi iptal", *Hurriyet*, 30 Temmuz 1997

(Angin and Bedirhanoglu 2012, 158). This had negative consequences on the popular classes. The fact that Turk-Metal and domestic iron and steel companies seemed to be thinking along the same lines helped the government and state authorities of the AKP to divide and disorganize the popular classes.

5.5. Conclusion

For individual and collective agents of the Turkish power bloc the influence on Erdemir meant privileged access to vital inputs, distribution rights and employment opportunities –all of which provided more opportunities for growth and profit- since Erdemir’s establishment in 1965. To understand the privatisation process of Erdemir, it is thus necessary to analyse the historically evolving inter-relationships and compromises between different fractions of capital including TUSIAD, foreign capital and private domestic iron and steel companies as well as the impact of shifting structural forces on these relationships. Because the privatisation of Erdemir was seen as a potential danger to their institutionalized privileges and priorities, the TUSIAD-led power bloc opposed Erdemir’s privatization (and its sale to foreign capital) between 1987 and 2000. Their opposition was articulated in different ways: rejecting foreign buyers, showing little interest in the tender, or attempting to eliminate those who bid to acquire the company. This continued until the 2001 crisis. Given the Turkish economy’s orientation towards new capital accumulation strategies directed at increasing productive capacity, FDI and competitiveness for exports in the post-2001 era, TUSIAD became supportive of privatisation and formed an unstable alliance with foreign capital and MUSIAD to conclude the privatisation of Erdemir. The intervention of the AKP government in favour of TUSIAD to marginalize the counter-strategy of domestic private iron and steel companies that centred around on the nationality of potential buyers was decisive to complete the Erdemir privatisation in 2005.

How does this chapter contribute to our overall understanding of the privatisation process in Turkey? Governments and policymakers find it particularly difficult to justify and conclude large-scale privatisations, if the dominant fractions (e.g. TUSIAD, foreign capital) of the power bloc are not

willing to make compromises to support privatisation processes. This suggests that the class compromises and struggles between fractions of capital within the power bloc are important material forces (under the context of structural forces) in shaping the privatisation processes in Turkey.

Today, the Turkish iron and steel industry is vital for the Turkish economy. With the expansion of private iron and steel plants during the late 1990s and 2000s (for example, Icdas Celik was expanded to 5 million tons capacity in 1996, MMK was established in 2008 with 2.4 million tons capacity, and Toscelik was established in 2009 with 2 million tons capacity), Turkey's crude steel production capacity reached to 34.1 million tons as of 2012. This placed Turkey among the top 10 crude steel producing countries in the world (World Steel Association 2012; Sanayi ve Ticaret Bakanligi 2012). As far as backward and forward linkages are concerned, the iron and steel industry is supplying key inputs to construction, automotive, household appliances and can-making sectors that are seen by experts as the most competitive sectors of the Turkish economy. For example, automobile and household appliances constituted two of Turkey's major export products with \$15.7 billion and \$6.3 billion sales revenue respectively in 2007 (Kalkinma Bankasi 2010).

Chapter 6 –Privatization in Petroleum Refining Industry: Tupras

The petroleum refining industry has been vital for the post-World War II consolidation of capitalism in Turkey. The Turkish state has taken a lead position in organising the development of the petroleum refining industry by turning to state resources and foreign capital since the early 1950s. This led to the establishment of four state owned refineries and one foreign-owned refinery. In 1984, the Turkish state founded Tupras (Turkish Petroleum Refineries Corporation; *Turkiye Petrol Rafinerileri A.S.*) to bring the control of four state-owned refineries under one roof. Contrary to the iron and steel sector (as elaborated on in Chapter 5), the domestic private capital did not and could not participate in petroleum refining investments (Kepenek 1990, 34). As privatisation was placed on the political, and hence economic agenda globally, in the 1980s by the meteoric rise of neoliberalism, the ANAP (Motherland Party; *Anavatan Partisi*) government started the Tupras privatisation program in 1989. Yet, privatising Tupras has proven difficult and has been contested.

The privatisation of Tupras was completed in 2005 after three failed attempts in 1989, 1998 and 2003. I argue that two specific factors enabled privatisation in 2005. First, there was a shift in the power bloc that previously resisted privatisation. Specifically, the TUSIAD (Turkish Industrialist Businessmen's Association; *Türk Sanayicileri ve İşadamları Derneği*; the representative organisation of big Istanbul-based holding groups) and the MUSIAD (Independent Industrialist Businessmen's Association; *Mustakil Sanayicileri ve İşadamları Derneği*; the representative organisation of Islamic-influenced Anatolian firms) shifted from being resistant to privatisation to being supportive of privatisation. Second, from 2002 to 2004 the AKP (Justice and Development Party; *Adalet ve Kalkınma Partisi*) undertook new institutional reforms that supported the state authorities' capacity to privatise Tupras, as well as helped to disorganise and mitigate the collective resistance of Petrol-İs union.

This argument is developed in four sections. Section 6.1 looks at the historical development of the Turkish petroleum refining industry from 1945 to 1984. Special attention is given to the importance of an effective state apparatus

and the role of foreign capital in ensuring the development of a petroleum refining industry and in the establishment of Tupras. Section 6.2 analyses the early privatisation process of Tupras by discussing why and how privatisation efforts failed between 1989 and 2000. Section 6.3 then examines the late privatisation process of Tupras between 2001 and 2006. I specifically focus on the shifted policy orientation of the power bloc and how the advocates of privatisation targeted state restructuring reforms to facilitate the Tupras privatisation. This is followed by a brief conclusion.

6.1. The Historical Development of the Petroleum Refining Industry in Turkey: 1945 to 1984

The turn towards a period of developing the petroleum refining industry came via the post-World War II consolidation of capitalism. This led to the establishment of four state-owned refineries in the cities of Batman, Istanbul, Izmir and Kirikkale and one foreign-owned refinery in Mersin within four decades. In this way, an effective state apparatus and foreign capital ensured the development of the petroleum refining industry in Turkey (Taylan 1984, 15; Ercan and Tuna 2007, 383-400; Ozturk 2010, 83-84). The domestic private capital did not participate for two reasons. First, domestic private capital was unable to invest in the refining industry because it required a high amount of capital investment and long periods of construction, adaptation and learning (Kepenek 1990, 34). Second, domestic private capital was unwilling to invest in the refining industry because it was then investing in the manufacturing of consumer durables to sustain import industrialisation (Savran 2002; Sonmez 1987, 66-74). In what follows, I shall explore how the petroleum refinery industry evolved between 1945 and 1984 in Turkey.

Post-war capitalist consolidation in Turkey had meant more investment and production, greater aggregate wealth, a larger population, and urbanization (Marois 2012, 54). The Turkish bourgeoisie turned to manufacturing of basic consumer goods, for the first time, for a mass market to replace imports. Likewise, the state made significant investment in the transportation infrastructure to unify and expand the domestic market. From 1945 to 1960, the

number of automobiles and trucks significantly increased from 8,012 to 37,616 as the total petroleum consumption increased nearly eightfold, or from about 205,000 tons to about 1,594,000 (Neyzi 1963; Esin 1973). This demonstrated that two small refineries built by the MTA (General Directorate of the Mineral Research and Exploration; *Maden Tetkik ve Arama Genel Mudurlugu*) in the early 1940s with annual capacities of 3,000 tons and 70,000 tons respectively could not satisfy growing demands of an industrialising country (Neyzi 1963, 124; Avsaroglu 2007).

State and government elites responded by building institutional capacity to organize the petroleum industry (DPT 2001c). Three developments are significant. First, the DP (Democratic Party; *Demokrat Parti*) government (1950-1960) enacted the Petroleum Law (6326) in 1954 to develop the legal foundation of the petroleum industry. Second, the government established the TPAO (Turkish Petroleum Corporation; *Turkiye Petrolleri Anonim Ortakligi*) as a state-owned enterprise with the aim of constructing a vertically integrated petroleum company to operate across the entire supply chain, from hydrocarbon exploration, production and refinery to marketing (Angin and Bedirhanoglu 2012, 154). Since then, the TPAO has become known as the driving force behind much of the development of petroleum industry in Turkey (Walstedt 1980, 178). The TPAO was initially responsible to the Ministry of Industry (Cumhuriyet Senatosu 1976). With the enactment of the Petroleum Reform Law (1702) in 1973, the control of TPAO transferred to the Ministry of Energy and Natural Resources (Aysan and Ozmen 1981, 187). The relevant ministries were responsible for ensuring that TPAO executes its activities according to laws as well as appointing members of the TPAO's board of directors (Kepenek 1990, 130-137). Third, the government relaxed controls on foreign capital to pave the way for their involvement in the petroleum industry (Boratav 1974, 364). This is because domestic capital was unable and unwilling to invest in the petroleum industry (Taylan 1984, 15). This is also because the Turkish petroleum industry needed foreign inputs in the form of money capital (for example, investment loan, credit, FDI) and technical know-how (for example, construction oversight, staff training) (Gulalp 1985; Sonmez 1978, 60-73).

By the mid-1950s the DP had developed the legal and institutional infrastructure to support the establishment of petroleum refineries. This triggered several new projects. In 1955, the TPAO built the Batman Refinery, Turkey's first modern crude oil refinery, with an annual capacity of 330,000 tons (Neyzi 1963, 125). The American Parsons Corporation designed, engineered and provided construction oversight for the refinery. American Parsons also trained 800 Turks in various crafts to operate this modern refinery.¹²³ The control and ownership rights of the Batman Refinery belonged to the TPAO. In 1960, the TPAO and the American Caltex Corporation jointly established the Ipras Refinery, Turkey's second modern refinery, near Istanbul with an annual capacity to process one million tons of crude oil. According to the investment agreement, the TPAO owned 51 per cent of the refinery, whilst the Caltex Corporation had 49 per cent with a condition to sell its shares to TPAO after ten years (Tupras 2005). In 1965, a consortium of foreign corporations including Mobil Oil, Shell and BP, established the Atas Refinery in Southern Turkey in Mersin with a capacity to refine 3.25 million tons of crude oil annually (Neyzi 1963, 155-156). It was the earlier Petroleum Law (6326) of the DP government to relax controls on foreign capital that allowed these foreign corporations, which were operating in Turkey for a long time as distributors and retailers, to invest in the petroleum refining industry (Esin 1973, 149). Consequently, by the end of the mid-1960s, Turkey had three modern refineries with a total capacity of more than 5 million tons. This capacity was enough to satisfy the petroleum needs of the Turkish economy and industry, but only for the time being.

The Turkish industrialisation continued throughout the late-1960s and 1970s, driving higher consumption of petroleum products. Within a mixed economic framework, the domestic private sector oriented to the production of durable consumer goods and transport equipment serving a relatively high-income market, whilst the state turned more and more to those industries that produced intermediate goods to serve input needs of the private sector (Gulalp 1985; Taylan 1984). Indeed, the growing private and state sectors were in need of more petroleum products than ever before. In addition to this, petroleum

¹²³ See Parsons Corporation official website, can be accessed at <http://www.parsons.com/about-parsons/Pages/history-timelineflashinfo.aspx>

products were increasingly replacing coal as the primary source of energy at the time (Neyzi 1963). Consumption of petroleum products increased from 7.3 million tons in 1970 to 16.9 million tons in 1977 –among the highest growth rates in the world (World Bank 1981, 42). To satisfy quickly increasing consumption, in 1972 the TPAO established Aliaga Refinery, Turkey's third state-owned refinery, in Western Turkey (Izmir) with technical and financial assistance of the Soviet Union. Aliaga Refinery had an annual crude oil capacity of 3 million tons (Altug 1983, 286). Additionally, the TPAO expanded the capacities of existing refineries. First, renovation work and improvements at the Batman Refinery during the mid-1970s brought its capacity from 330,000 tons to 1.1 million. Second, a major capacity expansion in Ipraz from 1 million tons to about 5 million was completed in the mid-1970s. This was necessary because of the Ipraz Refinery's close proximity to the main consumption hubs that account for around 40 per cent of the total oil consumption in Turkey (Tupras 2005).

A long period of neoliberal restructuring in Turkey came about via the 1980 military coup (Marois 2012, 100). The neoliberal restructuring, of course, entailed a number of serious operations on the state-owned refineries. In line with neoliberal restructuring programs globally, the ANAP government (1983-1989) of Turgut Ozal embraced the preparation programme for later privatisation of state-owned refineries. The first step was taken in 1984, and included the transfer of TPAO's ownership and control rights from the Ministry of Energy to the Prime Ministry (Kepenek 1990). The TKKOI (Mass Housing and Public Participation Administration; *Toplu Konut ve Kamu Ortakligi Idaresi*), the state agency responsible for privatisation implementations, was also placed under the control of the Prime Ministry. This was part of the government's larger strategy of concentrating state and government power in the hands of a few state agencies such as the Prime Ministry to by-pass parliament and regular bureaucracy, thereby ensuring rapid implementation of neoliberal reforms such as privatisation (Oguz 2008, 158-167).

The second step included the internal restructuring of TPAO to enhance its performance and ease its privatisation. In 1984, the government broke TPAO into smaller parts. This created new state-owned enterprises beside TPAO: (1) TPAO, exploration and drilling; (2) BOTAS, administration of pipelines; (3)

DITAS, shipping; (4) POAS, distribution and retailing; and (5) TUPRAS, refining (Ataay 2003, 240; Kepenek 1990, 41). These new state enterprises operated in different branches of the petroleum industry as TPAO's subsidiaries, or joint corporations where more than fifty per cent of the capital is now held by the TPAO (Decree-Law 233).

As a result, Tüpraş came into existence in 1984. The four petroleum refineries -Batman, İpraz, Aliaga and Kırıkkale- belonging to TPAO were turned over to Tüpraş, creating a major industrial enterprise (DPT 2000a, 12). Tüpraş' articles of incorporation emphasizes that its main activities are to procure and refine all kinds of crude oil and oil products, export, import, store and process crude oil at refineries or secure such processing (Tüpraş 2005). It had a crude oil capacity of 17.2 million tons in 1984.¹²⁴ It produces such petroleum products as naphtha, solvent, gasoline, jet fuel, fuel oil and kerosene (Tüpraş 2002). Its board of directors consisted of five members; the Prime Ministry appoints four of them, while the Treasury appoints the fifth one (Decree-Law 233).

As seen above, the state apparatus and the foreign capital were central to the development of the petroleum refining industry in Turkey whereas private domestic capital was hardly involved at all. This specific class dynamic embedded in the petroleum refining industry's particular development strategy would influence the shape of the Tüpraş privatisation process in two ways. First, the inactivity of private domestic capital in the petroleum refining industry precluded the relative exclusion of organized labour and popular classes in the state petroleum apparatus. Compared to the iron-steel sector and the Erdemir case, the organized labour would assume a far greater independent presence in the Tüpraş privatisation process, especially after 2001. Second, the absence of private domestic capital's ownership in petroleum refining industry prevented the conflicts erupting between different fractions of capital over maintaining the control rights and institutionalized privileges within Tüpraş, as seen in Erdemir case. Some intra-bourgeoisie conflicts that erupted over the Tüpraş privatisation process in the mid-1990s were related more with the general competition between TUSIAD and MUSIAD.

¹²⁴ <http://www.oib.gov.tr/portfoy/tupras/information.htm>

6.2. Early Privatisation Process of Tupras: 1989 to 2000

To kick-start the Tupras privatisation program, the ANAP government handed 49 per cent of Tupras' shares to the TKKÖİ in 1989.¹²⁵ Yet, the privatisation efforts of the consecutive Turkish governments failed between 1989 and 2000. The only notable exception was the sale of some Tupras shares via initial public offering in 2000. Below I will explore three attempts at privatising Tupras, in 1989, 1998 and 2000.

In 1989, the fractions of Turkish power bloc were increasingly concerned that foreign investors would acquire Tupras, just as they had acquired Teletas (a state-owned telephone and communication firm) and five state-owned cement plants of CİTOSAN (Onis 1991, 173).¹²⁶ The concerns of domestic capital grew as the American multinational petroleum corporation, ExxonMobil, expressed an interest in buying Tupras as soon as the ANAP government transferred 49 per cent of Tupras shares to the TKKÖİ.¹²⁷ Domestic capital groups reacted with alarm despite the fact that the government had yet to take any conclusive decisions on the timeline of Tupras privatisation and consulting firm needed to complete preparation works. This is because the degree of maturity of domestic private capital groups was not deep enough to support active participation in a large-scale Tupras privatisation project (Onis 2011, 716). Domestic private capital groups were aware of the enormous size of Tupras –it still is the largest industrial enterprise in Turkey. This meant that they could not compete with the larger foreign petroleum giants (Onis 1991, 171). As a result, domestic capital resisted the privatisation of Tupras.

Opposition parties, labour unions and prominent academics also put up some opposition to the Tupras privatisation (Dereli and Zeytinoglu 1993, 699). One prominent academic and former state bureaucrat, Öztin Akguc, argued at different platforms that the sale of Tupras to foreigners under these conditions would create a public backlash and generate legal responsibility for government.¹²⁸ His statements more or less reflected the position of the general

¹²⁵ See www.tupras.com.tr

¹²⁶ "Yabancı sermaye kuskusu", *Cumhuriyet*, 15 Mayıs 1989; "Ve Petkim de pazara çıktı", *Cumhuriyet*, 8 Eylül 1989

¹²⁷ "Exxon, Tupras'a talip oldu", *Cumhuriyet*, 9 Haziran 1989

¹²⁸ "Özelleştirme seçim sonrasına ertelensin", *Cumhuriyet*, 14 Haziran 1989

public on the Tupras privatisation. Opposition parties DYP (*Dogru Yol Partisi*; True Path Party) and SHP (*Sosyal Demokrat Halkci Parti*; Social Democratic Populist Party) also hotly contested the privatization of Tupras through legal means such as filing claims to the Council of the State (*Danistay*) and Ankara Administrative Court.¹²⁹

As a result of the pressures and criticisms coming from domestic capital and different sectors of society, the ANAP government decided in 1990 to temporarily abandon the Tupras privatisation project.

Intra-Class Conflict Over the Privatisation of Tupras

In 1994 crisis hit and macroeconomic imbalances worsened and budget deficit significantly increased in Turkey. The Tansu Ciller DYP (True Path Party; *Dogru Yol Partisi*) administration (1993-1996) responded with the IMF crafted stabilisation programme to help reduce distortions, improve resource allocation and find potential sources for budgetary financing (Marois 2012, 107).

Subsequent consultations and memorandums with the IMF between 1994 and 1999 brought the block sale of Tupras to the fore. IMF policy prescriptions suggested two points in relation to the privatisation of Tupras: (1) introduce international pricing for petroleum products to facilitate Tupras privatisation, and (2) complete privatisation of Tupras and use privatisation receipts for debt reduction (IMF 1998a; IMF 1998b).

In line with IMF prescription, the ANAP coalition government (1997-1999) adopted the Automatic Pricing Mechanism (APM) in 1998. The APM set a ceiling on the prices of almost all petroleum products based on international oil prices and the exchange rate (Clements et.al 2013, 124). Market advocates regarded the APM as a positive step towards price liberalization and was more favorable compared to the previous price-setting mechanism (Fitch Ratings 2003, 7). Tupras benefited significantly from the APM and was able to make profits, as the APM reduced government capacity to keep the prices of petroleum products low (Clements et.al 2013, 125). For example, the dividend payments of

¹²⁹ "Satislar yargi yolunda", *Cumhuriyet*, 27 Eylul 1989

Tupras increased from TL 150 million in 1999 to TL 513 million and TL 406 million in 2000 and 2001 respectively (Fitch Ratings 2003, 14).

Turkish policymakers then demonstrated a political intention to privatise Tupras via block sale (DPT 1996, 105). However, intra-bourgeoisie conflicts between TUSIAD and MUSIAD prevented any progress towards that direction. It is important to note that these intra-bourgeoisie conflicts did not specifically emerge within the particular context of Tupras. Rather, these conflicts erupted as part of the general competition between TUSIAD and MUSIAD over the control of the Turkish state and economy (as elaborated on in Chapter 4). These conflicts then expanded to the particular context of the Tupras privatisation process.

In the 1990s, Anatolian capital began asserting its power under the leadership of MUSIAD. This period also saw the rise in popularity of the Islamic influenced RP (Welfare Party; *Refah Partisi*) from 1994 to 1997 as representative of Anatolian capital on the political scene. The MUSIAD and the RP seemed to pose a political challenge to the dominance of Istanbul-based TUSIAD capitalists and their political force within Turkish state and economy (Marois 2012, 119; Cokgezen 2000, 536-541). This political competition produced seven coalition governments under four different leaders between 1994 and 1999 (Marois 2012, 119).

The intra-class conflict and volatility in the political scene also led to a diverse range of opinions within the institutional structure of the Turkish state over the future of Tupras. Two different options were discussed among state and government authorities over Tupras. First, the Privatisation High Council (PHC; *Ozelleştirme Yuksek Kurulu*), which was headed by the Prime Minister Mesut Yilmaz of ANAP, announced that the holistic structure of Tupras could be transformed into four separate refineries and subsequently two refineries could be privatised individually through block sale method. This option was in line with the interest of TUSIAD (Borsa Istanbul 1998a). Second, the Petrol and Natural Gas Working Group, which is comprised mainly of state bureaucrats working at the Ministry of Energy, recommended transferring the Tupras back to the TPAO and keep it state owned. The working group reasoned that profits earned from Tupras could fund expansion projects of the TPAO targeted petroleum exploration and production projects. In this way, the TPAO could be

active in different areas of petroleum industry as a vertically integrated company and better support the growth of Turkish economy (DPT 1996, 103-106). At the time, the Ministry of Energy controlled the TPAO, and senior RP politician, Recai Kutan, was the Minister of Energy (1996-1997).¹³⁰ This could explain why bureaucrats of the Ministry of Energy favoured transferring Tupras to TPAO and keeping it state owned as opposed to the privatisation efforts of ANAP, DYP and TUSIAD. Unsurprisingly, these different opinions over the future of Tupras (underlying intra-class conflict) complicated matters and prevented the accomplishment of any result.

Despite ten years of privatisation efforts, 96.40 per cent of Tupras shares were still state owned by the end of 1999. The situation was difficult for the Bulent Ecevit coalition government (1999-2002). On the one hand, the IMF was increasing its pressure on the government to sell SOEs to pay off expanding state debts and cover the rising state financing costs (IMF 1999a; IMF 1999b). The IMF pressure was important because Prime Minister Ecevit needed IMF resources at hand to put the Turkish economy on track to grow. On the other hand, intra-class and resulting intra-state conflicts lessened the state and government capacity to privatise Tupras via block sale method. Under these conditions, the government decided to rely on public offering method. Only in this way could government officials have the necessary public support to overcome the intra-state conflicts. In April 2000, the PA sold 30.66 per cent of Tupras shares on the Istanbul and London Stock Exchanges (Tupras 2002). Tupras' shares attracted considerable demand because world market oil prices were increasing at the time –nearly doubled from \$15.56 per barrel in 1999 to \$26.72 in 2000 (U.S. Energy Information Administration 2015). The only investor that acquired more than 5 per cent of shares was the UK based Franklin Templeton Investment Management Limited. Small domestic private investors acquired most of the shares (78 per cent) as the PA offered up to 15 per cent discount for them, possibly to increase public support to privatisation program of Tupras (Borsa Istanbul 2000a; Borsa Istanbul 2000b).¹³¹

¹³⁰ See official website of the Ministry of Energy, can be accessed on <http://www.enerji.gov.tr/tr-TR/EskiBakanlarimiz>

¹³¹ "Tupras hissesi 31 bin TL", *Yeni Safak*, 11 Nisan 2000

The attempts to privatise Tupras largely failed between 1989 and 2000. This is because the Turkish power bloc resisted privatisation for a variety of reasons, including problematic maturity of domestic capital groups and intra-class conflicts between TUSIAD and MUSIAD.

6.3. Late Privatisation Process of Tupras: 2001 to 2006

In the post-2001 crisis era, the Turkish power bloc shifted from being resistant to Tupras privatisation to being supportive of Tupras privatisation (TUSIAD 2002b). The power bloc started to promote the privatisation of Tupras. In response, Petrol-Is (Turkish Petroleum, Chemical, Rubber Workers Union; *Turkiye Petrol Kimya Lastik Iscileri Sendikasi*) union played a considerable role in the organised opposition to privatisation with media campaigns and a legal battle between 2002 and 2005 (Onis 2011). However, the union was ultimately unsuccessful in blocking the sale of Tupras to Koc Holding-Shell consortium in May 2006. In what follows, I shall explore the arguments of the power bloc and Petrol-Is, how they struggled over the Tupras privatisation, and how the AKP undertook institutional reforms to facilitate the participation of power bloc in the privatisation tender and disorganize the resistance of Petrol-Is.

Power Bloc: TUSIAD, MUSIAD and AKP

The Turkish power bloc became supportive of the Tupras privatisation in the post-2001 crisis era. Specifically, TUSIAD-based holding groups demanded the acceleration of the privatisation program in general and the intensification of privatisation efforts in the energy sector that included Tupras (TUSIAD 2002, 24). There were two factors that affected the change in TUSIAD's position on Tupras. First, domestic accumulation imperatives in the post-2001 era (as elaborated on in Chapter 4) centred on increasing productive capacity and international competitiveness for exports (Ercan and Oguz 2015, 120; Karakas 2009, 120). Within this new structural context of domestic accumulation imperatives, TUSIAD reasoned that positive signals emanating from the privatisation of Tupras would attract greater sums of foreign capital investments

to Turkey, thereby facilitating the expansion of productive investments. For TUSIAD this meant more productivity windfalls and profitability (TUSIAD 2002, 21). Second, TUSIAD-based holding groups had developed a stronger capacity to enter strategic alliances with major foreign petroleum firms and became important participants in the Tupras privatisation deal (Onis 2011, 716; TUSIAD 2003). This meant that TUSIAD was no longer afraid that foreign capital might dominate the privatisation process of Tupras (Sahin 2010, 485).

Other fractions of the power bloc also demanded the privatisation of Tupras, albeit with some caution. For example, MUSIAD advocated Tupras privatisation as part of its post-2001 neoliberal orientation (MUSIAD 2004, 80), but warned state authorities to ensure a fair price for the enterprise. A policy report of MUSIAD in 2002 stated that:

“Turkey has to get rid of the burden of SOE system as soon as possible. Production should be left entirely in the hands of the private sector. However, the privatisation of strategic SOEs such as Tupras should be treated with extra care to prevent any sale below their book value” (MUSIAD 2002, 88).

It is significant to note that MUSIAD had two other specific reasons to support Tupras privatisation. First, MUSIAD perceived Tupras privatisation as a major turning point in Turkey’s privatisation path. MUSIAD-based Anatolian firms reasoned that, if privatisation became a hegemonic discourse in Turkish society after the Tupras privatisation, this would present them with new opportunities for acquiring smaller SOEs that operated in textile, food processing and electricity distribution sectors (Angin and Bedirhanoglu 2013, 83). Second, MUSIAD embraced privatisation because it had an organic relationship with the AKP. For example, ten MUSIAD members were among the founders of AKP; while twenty MUSIAD members were elected as AKP parliamentarians in the 2002 elections (Atasoy 2008, 52-54). Being on the same path as the AKP could show signs of solidarity.

The AKP came to power in the November 2002 elections as a majority government by winning 34 per cent of the popular votes (Marois 2012, 177). Since then, the AKP has been a dedicated proponent of privatisation for a variety of reasons as noted earlier in Chapter 4. By internalising demands of the

fractions of the power bloc (for example, TUSIAD, MUSIAD), the AKP took significant steps towards turning the Tupras privatisation into a systematic and unified policy option in Turkey (Angin and Bedirhanoglu 2012, 149). Deputy Prime Minister, Abdullatif Sener, announced in January 2003 that the government was very ambitious for a privatisation policy and Tupras was among the several state enterprises listed for privatisation.¹³² This was in stark contrast with the situation during the 1990s, where there had been a diverse range of politically discussed options over Tupras due to a succession of weak coalition governments.

The AKP understood the favourable international conditions enabling privatisation of Tupras. One of these was the fact that the large privatisation programs of the formerly communist countries in Central and Eastern Europe are either nearing completion or, at least, entering into a more mature phase (OECD 2009, 7-8). Another of these conditions was the fact that a new wave of privatisation was about to come during the mid-2000s, as European economies sought to cash in on emerging markets (The Economist 2014). To benefit from these favourable international conditions, government and state officials took part in active marketing tours in Russia, the UK and the oil rich Gulf countries to create a competitive sale process and ensure higher price for Tupras (Angin and Bedirhanoglu 2012).¹³³ Having returned, the state minister in charge of the privatisation process, Kemal Unakitan, noted that ‘multinational oil companies such as Shell, BP and Lukoil have showed interest in Tupras’.¹³⁴ In addition to marketing tours, high-level officials such as the Minister of Economic Affairs, Ali Babacan, sent invitations to American investors to participate in the Tupras privatization tender. In his invitation, he emphasized that ‘the government is giving special importance to foreign capital in Tupras privatization tender’.¹³⁵

Petrol-Is

¹³² “İddiali Özelleştirme”, *Radikal*, 14 Ocak 2003

¹³³ “Maliye Bakanı özelleştirme için Londra’da”, *Zaman*, 30 Nisan 2003

¹³⁴ “Özelleştirme yapmayan bir Kuba kaldı, bir de Türkiye”, *Zaman*, 14 Mayıs 2003

¹³⁵ “Babacan, ABD’li isadamlarını özelleştirme ihalelerine çağırdı”, *Zaman*, 30 Eylül 2003

As we have seen above, the fractions of power bloc and the AKP intended to complete the privatisation of Tupras. This generated vigorous opposition from a leading sectoral union, Petrol-Is (Sahin 2010, 490). As of 2002, Petrol-Is has counted on the 85 per cent of 4700 Tupras workers as members (Petrol-Is 2007). The union's argument against the Tupras privatisation rested on two major points: (1) strategic importance of Tupras, and (2) preservation of public values (Petrol-Is 2005a, 7-8; Petrol-Is 2005b, 47-50).

The strategic importance of Tupras to the Turkish economy with regard to the critical energy sector constitutes the first objection point. The union argued that foreign penetration of such a critical sector would jeopardize Turkey's long-term strategic position and render the country even more dependent on external forces in the energy sector (Petrol-Is 2005a, 48; Onis 2011, 719). The union also drew attention to the negative consequences of Tupras deal in terms of concentration of market power, given that the privatization was contemplated as a block sale to a major private consortium (Onis 2011, 719). The head of Petrol-Is Ankara Branch, Mustafa Ozgen, stated:

"Under a private monopoly in the refinery sector, it is highly likely that Turkey's domestic production will fall beyond the rising demand; the country's import dependence will rise, and this will put other sectors at risk making Turkey vulnerable to world markets. This is a threat to our national interest" (Sahin 2010, 491-492).

It is important to note that the ideas of Petrol-Is follow a left-nationalist theoretical line of the Turkish privatization literature (as elaborated on in Chapter 2). The language of Petrol-Is that emphasizes 'external factors' and 'national interest' uses left-nationalistic discourse in varying tones and degrees (compare Yeldan 2005 and Ataay 2003).

The second point of the union opposition was based on the preservation of public ownership and public values. Petrol-Is believed that Tupras, whose ownership belonged to the general public, should operate in the service of public values (Petrol-Is 2005a, 50).¹³⁶ In a personal interview, the General Secretary of Petrol-Is Financial Affairs and the Member of Petrol-Is High Council, Ibrahim

¹³⁶ Personal Interview with Askin Suzuk, Petrol-Is, Secretary of Petrol-Is Research Unit, 12 October 2012.

Dogangul, argued that privatisation of Tupras would lead to a resource transfer to a rich minority and cause the large public masses to suffer in every sense (for example, employment loss, high prices, declining quality of workplace and so on).¹³⁷ Petrol-Is insisted that Tupras was very important for the future and social welfare of the Turkish people, and therefore must be removed from the privatization program and meticulously protected (Petrol-Is 2005a, 7, 50).

The activities of Petrol-Is against the privatization of Tupras ranged from taking legal actions against the PA to organizing demonstrations, press conferences, media campaign, panels; and, to a limited extent, mobilizing workers for the industrial action or work-stoppage (Sahin 2010, 491; Blind 2008, 99). The most effective activities, however, were media campaign and legal action. First, Petrol-Is devised a creative anti-privatisation media campaign by preparing pamphlets, brochures and booklets, and placing advertisements in the major Turkish newspapers. One of these advertisements displayed a gas pump held as a revolver by a hand, against the neck of a lady wearing a golden necklace, the latter representing the economic well being of a family in the Turkish culture. The slogan read, "Tupras is our future. It cannot be sold" (Blind 2008, 99). One brochure even tried to relate privatization with the Iraq War to trigger public backlash against the Tupras privatisation by demonstrating how privatization of a petroleum company could, in different ways, contribute to the war in Iraq (Petrol-Is 2007, 264). Second, Petrol-Is was aware of the fact that the existing institutional and legal framework in Turkey, to some extent, still reflected a different logic of accumulation based on public interest and national interest that could potentially be used against market logic of privatizations (Petrol-Is 2005b). The union thus took legal actions against the PA to prevent the privatization of Tupras. I will elaborate more on the legal struggle of Petrol-Is in the following paragraphs.

The 2003 Privatisation Tender

¹³⁷Personal Interview with Ibrahim Dogangul, General Secretary of Petrol-Is Financial Affairs, Member of Petrol-Is High Council, 12 October 2012.

In July 2003, the AKP government and the PA launched the tender for the block sale of 65.75 per cent of the state shares in Tupras. The 2003 tender, nevertheless, proved unsuccessful in completing the Tupras privatisation. This was due to two reasons: low participation to tender resulting from uncertainty over institutional reforms, and the legal battle of Petrol-Is union.

The PA specified September 2003 as the deadline for the submission of bids (Sahin 2010, 490). The deadline for bidding then extended to October 2003. Yet the PA received only two bids: (1) Efremov-Kautschuk and Zorlu Holding consortium, and (2) Anadolu consortium led by Cukurova Holding (Borsa Istanbul 2003a; Borsa Istanbul 2003b). Those two bids remained around \$1.3 billion, substantially lower than the \$2 billion the PA had been expecting the sale to raise (Alexander's Gas & Oil Connections 2003). The foreign investors that had showed strong interests (for example, Shell, BP and Lukoil) during the marketing tours of AKP officials decided to abstain from bidding in the actual privatisation tender. This is because foreign investors were unsure about the possible consequences of the ongoing institutional reforms undertaken by the government to develop institutional capacity needed to regulate and monitor the petroleum sector after privatisation (Alexander's Gas & Oil Connections 2003).¹³⁸ The ongoing institutional reforms involved the EPDK (*Enerji Piyasasi Duzenleme Kurulu*; Energy Market Regulatory Authority) and Petroleum Market Law (5015). Potential investors did not know whether the Petroleum Market Law would enable authorities to craft institutional barriers against any possible political interference to the petroleum sector in the future, or whether the EPDK would be really independent from political authorities (Borsa Istanbul 2003a). The government and state authorities attempted to appease the concerns of potential investors by speeding up the institutional reform process. As Turkish Energy Minister, Hilmi Guler, puts it:

“This [passing of the Petroleum Market Law] issue is very much related with the Tupras sell-off. That's why we are in a hurry. This law should pass from

¹³⁸ “Bidding deadline for Tupras extended to October 24”, *Hurriyet Daily News*, 25 September 2003

Parliament immediately for speeding up the privatization of Tupras and for eliminating the fears of investors".¹³⁹

However hurried the government, the Petroleum Market Law and the petroleum division of the EPDK came into effect in December 2003 –two months after the bidding deadline (Petroleum Market Law 5015). This explains why the potential investors did not bid for Tupras even though they had shown strong interests during the marketing tours.

But it was not the limited participation or low bids that actually prevented the AKP and the PA from completing the tender. Despite limited participation and low bids, the AKP reluctantly agreed to sell Tupras to the Efremov-Kautschuk and Zorlu consortium. It was the legal battle of Petrol-Is that succeeded in cancelling the tender by getting a favourable response from the Administrative Courts and the Council of State (Danistay) (Onis 2011, 719). Below I will look at the legal process in detail.

The legal process was long and contested. It lasted from June 2003 to November 2004 and involved three different lawsuits. In June 2003, Petrol-Is filed a lawsuit against the tender announcement of the PA at the Ankara 10th Administrative Court. Petrol-Is contended that the tender announcement was unlawful because it failed to define the golden share that would allow the state to maintain its veto power over strategic decisions such as military fuel supply. It also acted against the public interest because it ruined the vertical integration of the Turkish petroleum industry (Petrol-Is 2005b, 24-34). In January 2004, Petrol-Is filed a second lawsuit at the same court, this time, against Privatisation Tender Commission (PTC). Petrol-Is argued that the PTC acted against the public interest as it failed to make it clear that the tender would be concluded with a closed offer. This caused participants to refrain from making high offers with the expectation that the auction procedure might follow (Sahin 2010, 491). Petrol-Is also argued that the PA made two technical errors. First, the PA allowed Zorlu Holding to join Efremov-Kautschuk as a partner after the tender process had already started. Second, the PA permitted participants to put forward some clauses (for example, the enactment of the Petroleum Market Law) in the tender

¹³⁹ "Bidding deadline for Tupras extended to October 24", *Hurriyet Daily News*, 25 September 2003

proposal (Petrol-Is 2005b, 40). In February 2004, the union filed a third lawsuit, this time; against the PHC that approved transactions of the PTC on the same grounds mentioned above.

The PTC lawsuit received most of the attention, was investigated several times by different courts and eventually led to the cancellation of the sale of Tupras. Following the application of Petrol-Is, the Ankara 10th Administrative Court ruled with a unanimous decision to suspend the act of PTC to conclude the tender in May 2004. The court emphasized that the tender was supposed to be finalised with an open auction and bidding companies were not supposed to add any clause to the tender specification according to the Privatisation Law (4046) and for the sake of public interest (Sahin 2010, 491; Petrol-Is 2005b, 74-79; Borsa Istanbul 2004a).¹⁴⁰ The PA appealed against this decision. The Ankara Regional Administrative Court accepted the appeal of the PA and revoked the previous suspension decision of the Ankara 10th Administrative Court on two grounds. First, the proposal of Efremov-Kautschuk and Zorlu consortium could not be considered as a clause. Second, it was up to the discretion of the PA to decide whether to hold an open auction or receive closed offers. This was because, in some cases, the completion of a tender might be more important than working to get the highest offer (Petrol-Is 2005b, 80-83; Borsa Istanbul 2004b).¹⁴¹

However, Petrol-Is did not give up. It filed another lawsuit against the PTC at the Ankara 10th Administrative Court. In ways similar to its previous decision, the Ankara 10th Administrative Court ruled, once more, that PTC's decision to conclude Tupras tender was against tender specification, the Privatisation Law (4046) and public interests, and therefore must be cancelled (Petrol-Is 2005b, 84-90; Borsa Istanbul 2004c).¹⁴² This was a crisis situation. The PA and the Ankara Regional Administrative Court favoured the completion of the tender, whilst Petrol-Is and the Ankara 10th Administrative Court opposed and rejected the tender. The supreme administrative court, the Danistay, stepped in to give the final decision and resolved the crisis. In November 2004, the Danistay decided in favour of Petrol-Is and the Ankara 10th Administrative Court. The

¹⁴⁰ "Tupras'ın satisinda yurutme karari durduruldu", *Zaman*, 24 Mayis 2004

¹⁴¹ "Tupras'ın satisindaki engel kalkti", *Zaman*, 31 Mayis 2004

¹⁴² "Tupras ihalesi iptal edildi", *Zaman*, 3 Haziran 2004

Danistay ruled that the sale of Tupras to Efremov Kautschuk-Zorlu consortium was against the law. It thus declared the act of PTC null and void (Sahin 2010, 491; Petrol-Is 2005b, 93-95; Borsa Istanbul 2004d). As we have seen, the dominated classes (in this case, Petrol-Is) were at times capable of resisting the privatisation of Tupras and articulate its collective interest through centres of opposition within the legal state apparatus.

New Institutional and Legal Reforms

The impact of the legal process did not lead state and government elites to reject the Tupras privatisation.¹⁴³ Instead, the legal process served as an opportunity to strengthen the state's capacity to privatize Tupras. The AKP undertook new institutional and legal reforms between 2004 and 2005 to weaken the resistance of Petrol-Is and facilitate the participation of potential investors in the Tupras privatisation tender (Onis 2011, 722). Particularly significant reforms in this context were the changes made to the Petroleum Market Law (5015), the Foreign Investment Law (4875), the Privatisation Law (4046), the Danistay Law (2575) and the EPDK. Before I explore these reforms below, I will show how different fractions of the power bloc continued to provide systematic and sustained support for the privatisation of Tupras.

Shortly after the cancellation of the Tupras tender, the President of TOBB (Union of Chambers and Commodity Exchanges of Turkey; *Turkiye Odalar ve Borsalar Birligi*), Rifat Hisarciklioglu, announced that Turkey has to immediately privatise major SOEs such as Tupras. The privatisation of SOEs is important for the implementation of structural reforms and enhancement of productive investments.¹⁴⁴ Moreover, the TUSIAD-based holding groups expressed how unhappy they were due to Danistay's cancellation of the Tupras tender. Sabanci Holding President, Guler Sabanci, stated in a newspaper interview that, 'unfortunately, Turkey still did not learn how to handle privatisation. It started with Ozal, but it is still on our agenda. Markets are expecting to see swift

¹⁴³ "Yargi ozellestirmeye engel olmamali", *Zaman*, 28 Ocak 2004; "Erdogan, burokratik oligarisden yakindi: Tupras'ta 1,3 milyar dolar hazirdi, birilerince durduruldu", *Zaman*, 20 Haziran 2004

¹⁴⁴ "Ozellestirmeyi hemen yapmaliyiz", *Zaman*, 12 Ocak 2004

conclusion of Tupras privatisation'.¹⁴⁵ Foreign investors reacted in similar ways. For example, YASED (International Investors Association of Turkey; *Uluslararası Yatirimcilar Dernegi*) emphasized that foreign investors were very concerned with the developments in the privatisation process of Tupras. These developments created certain problems for foreign investors in terms of investing in Turkey through privatisations. YASED argued that Turkey must take a leap forward in the privatisation of Tupras to promote foreign investment.¹⁴⁶

The fractions of power bloc not only demanded the privatisation of Tupras but also announced, one after another, that they are interested in buying Tupras. First, OYAK Group declared that it would definitely buy one of the state enterprises (either Tupras or Erdemir) that are up for privatization (Angin and Bedirhanoglu 2012, 159). Second, despite losing its opportunity to acquire Tupras in the previous tender after Danistay's legal decision, Zorlu Holding announced that, if the government carries out another tender for Tupras, it would definitely participate.¹⁴⁷ Third, Sabanci Holding announced that they are closely following developments related with the Tupras privatization.¹⁴⁸ The CEO of Sabanci Holding, Celal Metin, then stated that, "Sabanci Holding is ready to participate in the privatization tender of Tupras".¹⁴⁹

Moreover, the fractions of power bloc noted the importance of the institutional and legal infrastructure and attempted to shape the government to channel more energy into it. For example, President of Koc Holding, Mustafa Koc, asked the AKP government to mitigate bureaucratic resistance to privatisation and resolve legal doubts surfacing over the Tupras privatisation.¹⁵⁰ Likewise, President of Zorlu Holding, Ahmet Nazif Zorlu, told the national newspapers that, 'we are expecting Prime Minister Erdogan to defeat a long-held bureaucratic and judicial oligarchy'.¹⁵¹ TOBB President, Rifat Hisarciklioglu, took the issue a step further and added, "We need to amend the Privatisation Law to reduce it to a one or two simple articles. In this way, Tupras could be sold to those buyers who

¹⁴⁵ "Sabanci: Ozellestirmeyi bir turlu halledemedik", *Zaman*, 4 Haziran 2004

¹⁴⁶ "Ozellestirme pahaliya satmak degil", *Zaman*, 21 Temmuz 2004

¹⁴⁷ "Ahmet Nazif Zorlu: Tupras icin ihale yapilrsa Tatneft'le gireriz", *Milliyet*, 31 Aralik 2004

¹⁴⁸ "Sabanci Grubu Tupras'i gozluyor", *NTVMSNBC*, 30 Haziran 2004

¹⁴⁹ "Tupras'a OYAK'tan sonra Sabanci talip", *Gazete Vatan*, 30 Haziran 2004

¹⁵⁰ "Ozellestirmenin onundeki iki engel: Burokratlar ve yargiya guvensizlik", *Zaman*, 20 Ocak 2004

¹⁵¹ "Ozellestirme geciktikce Turkiye kaybediyor", *Zaman*, 1 Aralik 2004

offer the highest price. There is no need for any other details”.¹⁵² In these ways (i.e. by demanding privatisation, announcing interest, noting the importance of institutional infrastructure) we see how different fractions of the Turkish power bloc supported the privatisation of Tupras.

Here, I should make a theoretical point to avoid falling into the trap of instrumental conception of the state. It is true that the demands and pressures of the different fractions of power bloc, as I explained above, were effective in directing the attention of the government and state authorities towards institutional and legal reforms as well as the privatisation of Tupras. However, state actors do not simply act on the direct behest of capital (Poulantzas 1978, 13-14, 130). The very own desire of the AKP officials to remain loyal to targets of the neoliberal agenda in order to overcome their politically vulnerable position within the power relations, particularly during the AKP’s first term in office (2002-2007), coupled with the fiscal crisis of the state, was also important. Within such an atmosphere, the AKP had a special incentive to institutionalize the legal basis and conclude the Tupras privatization, for this would demonstrate to domestic and international actors that the AKP is the right party to govern Turkey (Angin and Bedirhanoglu 2012, 149-150).

Now, I shall return to look at AKP’s institutional and legal reforms in detail. First, the AKP made the Petroleum Market Law and the EPDK, which were enacted and established in December 2003, effective and operational. The Petroleum Market Law fully deregulated prices and eliminated quotas. This meant that the authority of the Council of Ministers to calculate petroleum product prices was revoked, and refineries and distribution companies were left free to set their own prices (Petroleum Market Law 5015). Far from minimizing the state, the Petroleum Market Law restructured the state apparatus and created a new state regulatory institution (EPDK) in order to bolster state capacity to manage the petroleum industry. The law mandated that the EPDK issues and implements any regulation regarding petroleum market activities, carries out audits, inquiries and investigations, imposes penalties and sanctions, and determines the fees for licenses (EPDK 2007). Unlike the Council of Ministers, the EPDK facilitated depoliticization and centralization of the

¹⁵² “Özelleştirme Kanunu mutlaka degistirilmeli”, *Zaman*, 18 Temmuz 2004

management of the petroleum industry because the law crafted the EPDK as an independent state agency. This meant insulation from the other layers of the government and state as well as from popular forces. This benefits market participants, as they can establish connections with the EPDK independent of democratic processes and classical bureaucratic structures (Oguz 2008, 182). These changes increased the confidence of potential investors in the Tupras privatization tender.

Second, the AKP established the Investment Advisory Council of Turkey (*Turkiye Yatirim Danisma Konseyi*) in early 2004 to effectively implement the provisions of the Foreign Investment Law (4875). The Council acted as a platform where senior executives from prominent multinational companies meet with upper level state officials to enter into dialogue and exchange information about how to address the administrative barriers to FDI, improve the image of Turkey as an attractive investment destination and provide an international perspective to the ongoing investment climate reform agenda (IMF 2004).¹⁵³ The state officials that gained experience with each meeting with institutional learning and expertise paved the way for the involvement of foreign investors in the privatisation of Tupras (Onis 2011).

Third, the AKP government made important changes to the Privatisation Law (4046). One change involved incorporating the 4-C clause into the law in 2004. This clause states that the SOE workers, who would become unemployed as a result of the privatization practices, must be employed in other state institutions (Dogan 2012, 59-60). As a result, laid off workers had been provided guaranteed opportunities to move elsewhere in the state apparatus, although their labor rights and wages worsened (Turk 2011). This weakened the organization capacity of Petrol-Is union to mobilize Tupras workers against privatization because it disorganized and divided the Tupras workers into two groups: those who wanted to benefit from the 4-C clause, and those who rejected the 4-C clause (Petrol-Is 2007).

Another change to the Privatisation Law involved incorporating the 34-C clause in late 2004. The 34-C clause changed the way in which the administrative justice system was connected to privatization by concentrating and centralizing

¹⁵³ Investment Advisory Council of Turkey, <http://www.yoikk.gov.tr/detay.cfm?MID=7>

the legal decision-making power on privatization matters within the Danistay. In this way, the Danistay, as the supreme administrative court dealing only with appeals from other administrative courts, was authorized to act as the court of first instance for all privatization-related lawsuits (Privatisation Law 4046, 316). The centralization of legal decision-making power did not stop here. The AKP made changes to the Danistay Law (2575), which selected the 13th Chamber among fifteen chambers of Danistay as an expert chamber responsible for all privatization cases (Danistay Law 2575).

These changes were important for two reasons. First, Petrol-Is lost access to local (for example, Ankara 10th Administrative Court) and regional administrative (for example, Ankara Regional Administrative Court) courts as well as the remaining fourteen chambers of Danistay. This undermined Petrol-Is' capacity to generate different (and sometimes conflicting) decisions at different courts, as we have seen before. Second, it was much easier for government and state authorities to institutionalize market logic within one chamber of Danistay, the 13th Chamber, than doing the same task for the whole administrative justice system. In a personal interview, the Privatisation Authority Head of Project Group, Yesim Kurna, told me that, "as the same judges of the 13th Chamber have reviewed all privatization practices, they effectively internalized the market rationale behind the idea of privatization over time".¹⁵⁴ The above discussed legal and institutional reforms, which the AKP undertook between 2003 and 2004, provided the necessary infrastructure for the Tupras privatization.

The 2005 Privatisation Tender

During early 2005, the political commitment to privatisation combined with the legal and institutional infrastructure. The AKP opened the second tender for the privatisation of state shares in Tupras in April 2005 (Borsa Istanbul 2005a; Borsa Istanbul 2005b; Privatisation Authority 2012). The PA received nine bids from both domestic and foreign investors by September 2005.¹⁵⁵ A closer look at

¹⁵⁴ Personal Interview with Yesim Kurna, Privatisation Authority, Head of Project Group, 13th February 2013.

¹⁵⁵ These are: 1-OMV (Austria); 2-Polski Koncern (Poland) and Zorlu Holding (Turkey) Consortium; 3-Koc Holding (Turkey) and Shell (Netherlands) Consortium; 4-ENI (Italy); 5-

the bidding companies reveals two important points. First, the tender was successful in attracting foreign investors. The earlier legal and institutional reforms made a positive impact (Onis 2011). The number of foreign investors participating in the tender rose from two in the first tender in 2003 to seven in the second tender in 2005. Second, the tender removed the distinction between national and foreign capital with very interesting and surprising foreign-domestic consortiums such as Indian Oil and Calik Holding, Polski Koncern and Zorlu Holding, and Shell and Koc Holding (Privatisation Authority 2012). This was different from other major privatisation tenders (see Erdemir in Chapter 5) where different parties were making a distinction between national and foreign capital, and expressing a certain eagerness to oppose the deal when the latter element was actively involved.¹⁵⁶

After a long and highly competitive tender process, Koc Holding and Shell consortium purchased Tupras at a price of \$4.140 billion (Borsa Istanbul 2005d; Koc Holding 2005). The Petrol-Is union continued to oppose Tupras' privatisation during the course of the year. Petrol-Is challenged almost all aspects of the deal including PHC's decision, tender announcement, tender specification, and PTC's decision. But it was ultimately unsuccessful in blocking the sale of the enterprise to a consortium of Koc Holding and Shell (Onis 2011, 719).

The inability of Petrol-Is to prevent the privatisation of Tupras this time demonstrated the success of the reforms that institutionalised the legal basis for its privatisation. The limits of legal challenges to Tupras privatisation became apparent as the 13th Chamber of Danistay rejected lawsuits filed by the Petrol-Is (Borsa Istanbul 2006; Petrol-Is 2007, 250-267).¹⁵⁷ Arguments based on 'strategic importance' and 'public interest' appeared to carry much less weight in court decisions compared with the previous decade (Onis 2011, 720). Instead, the courts began to rely on imperatives of market efficiency and market rationality.

Cukurova Holding (Turkey); 6-Indian Oil (India) and Calik Holding (Turkey) Consortium; 7-Petrol Ofisi (Turkey) and Tupras Acquisition (Singapore) Consortium; 8-OYAK Holding (Turkey); 9-MOL Oil (Hungary) (Borsa Istanbul 2005c).

¹⁵⁶ "Stefan Zweig'in gozunden Tupras ihalesi", *Referans*, 12 Eylul 2005; "Yabancı, Tupras'a yerli ortakla giriyor", *Milliyet*, 30 Agustos 2005

¹⁵⁷ "Yargıdan Tupras'ın özelleştirmesine gecit", *Milliyet*, 16 Aralık 2005; Danistay'dan Tupras'ın özelleştirmesine vize", *Milliyet*, 9 Mayıs 2006

The 13th Chamber justified its verdict on the grounds that, ‘the privatisation act of Tupras was legally carried out in accordance with the objectives of achieving economic efficiency and reducing public expenditures that are indicated in the privatisation law’ (Sahin 2010, 494).

The inability of Petrol-Is to prevent the privatisation of Tupras also illustrated the difficulties of resisting privatisation when an intra-union solidarity (collective front movement) did not exist. As I elaborated on in Chapter 4, the largest labour confederation in the public sector in Turkey, TURK-IS, chose to support the Tupras privatisation implicitly by establishing partisan links with the governing AKP (Blind 2008, 21). TURK-IS also avoided preparing a road map and establishing coordination between its member unions (Blind 2008, 109). These activities of TURK-IS resulted in the inability of Turkish labour unions and working class to bring intra-union solidarity to the highest level possible against Tupras privatisation. The CHP, the major opposition party with social democratic values, was also responsible for a failed collective organisation over the Tupras privatisation. The CHP hesitated in supporting the resistance campaign of Petrol-Is. Leading Petrol-Is officials even accused the CHP of being heavily influenced by the values of neoliberal ideology.¹⁵⁸ It is true that a number of CHP parliamentarians, such as Osman Coskunoglu and Kemal Kilicdaroglu, who were keen to preserve SOEs, expressed their discontent with the privatisation of Tupras (Sahin 2010, 492). But this could not be taken as a sign of CHP’s strong opposition to the Tupras privatisation. The CHP never provided significant support to Petrol-Is.¹⁵⁹

This section combines several different elements about the final privatisation, with the last part focusing on the failed collective organisation.

6.4. Conclusion

From a comparative perspective, the Tupras case constitutes an interesting case study. The Tupras case showed us once again (after the Erdemir case in Chapter 5) that the power bloc is the key class agent behind privatisation. The transition

¹⁵⁸ Personal Interview with Ibrahim Dogangul, General Secretary of Petrol-Is Financial Affairs, Member of Petrol-Is High Council, 12 October 2012.

¹⁵⁹ Personal Interview with Oguz Oyan, CHP Parliamentarian (2002-present), 12 Subat 2013.

of fractions of power bloc under the leadership of TUSIAD, from being against privatisation to being supportive of privatisation, was of critical importance. The Tupras case also involved two specific factors. First, it involved a class struggle between power bloc and Tupras workers (Petrol-Is). We have seen how the organised collective struggle of Petrol-Is succeeded in blocking privatisation efforts between 2003 and 2004. This suggests that privatisation is not simply a market-based process. Instead, it is a class-contested process. Second, the Tupras case involved elements of the state's role vis-à-vis the dominant and popular classes. On the one hand, government and state authorities undertook new legal and institutional reforms that supported the dominant classes' capacity to participate in the Tupras privatisation process. On the other hand, government and state authorities made new legal changes (for example, 4-C and 34-C clauses of the Privatisation Law) that disorganised-mitigated the collective resistance of dominated classes. This shows that the state is an integral element of privatisation processes. The social forces pushing for privatisation or resisting against privatisation must institutionalize their visions and interests in the apparatuses of the state.

Tupras is still a vital component of the Turkish petroleum refining industry and Turkish capitalism today. After the foreign-owned Atas Refinery in Mersin was terminated its activity and turned into a terminal in 2004, Tupras has become the single petroleum refining enterprise in Turkey. The main clients of Tupras are petrochemical firms, General Directorate of State Highways, Turkish Armed Forces, oil distribution and retail companies including Petrol Ofisi and Opet (EPDK 2010, 27-28). Tupras is ranked first place for the sales revenue, value-added and export performance measures in the Top 500 Industrial Establishments List of ISO in 2012 (Istanbul Chamber of Industry) (ISO 2012a). Even on a European scale, Tupras is large. The Oil & Gas Journal listed Tupras as the 7th largest refining company in Europe (excluding Russia) after UK's BP (5th) and Spain's Repsol YPF (6th) with an annual total refinery capacity of 28.1 million tons.

Table 6.1: Operating and Commercial Activities of Tupras (2004-2012)

Year	Total Sales (tons million)	Total Exports (tons million)	Net Profit (\$ million)	Investments (\$ million)
------	-------------------------------	---------------------------------	----------------------------	-----------------------------

2004	23.8	3.2	557	-
2005	24.9	4.6	615	1950 (1989 to 2005)
2006	26.1	6.2	585	274
2007	26.3	6.3	977	355
2008	25.9	6.1	331	395
2009	21.5	3.3	522	189
2010	22.4	4.8	490	177
2011	23.8	5.1	740	628
2012	25.4	5.8	815	974

Source: Tupras Annual Reports (2004-2012)

The operating and commercial activities of Tupras after privatisation reveal two important changes (see Table 6.1). First, the integration of Tupras into the world market has intensified. This could be seen from Tupras' increasing export performance. In 2011, Tupras won the Export Champion Award from the Turkish Exporters Assembly by exporting 5.1 million tons of products worth \$ 4.3 billion. Tupras became the export champion of both its industry and the entire country (Tupras Annual Report 2012, 23). Second, Tupras geared up its efforts towards making investments in high value-added items and steered up initiatives in R&D and productivity. From 1989 to 2005, the investments of Tupras under state-ownership totalled very close to \$2 billion. Tupras, under the ownership and control of Koc-Shell consortium, surpassed this amount in the first six years (2006 to 2011) of its administration.

Chapter 7 –Privatization in Telecommunication Sector: Turk Telekom

Information processing and telecommunication, like radios and telegraphs, have existed throughout history (Castells 2004, 11). What we have seen since the 1970s is the massive diffusion of new information and telecommunication technologies such as microelectronics, software, Internet, data transfer and wireless all over the world. These new telecommunication technologies are at the root of new productivity sources, and the construction of a global economy. As such, the contemporary global economy depends on the capacity of new information and telecommunication networks to operate (Castells 1999, 5).

In Turkey, the PTT (State Postal, Telephone and Telegraph Administration) had provided information and telecommunications services since the founding of the Republic of Turkey in 1923. For 70 years, the PTT tried to follow new developments in the telecommunication technologies with relatively little financial resources, apart from a short period of accelerated investments between 1983 and 1993 (DPT 1979, 419). In 1993, state authorities established Turk Telekom to provide telecommunication services by separating postal and telecommunications services in PTT from each other. The privatisation of Turk Telekom had been on the policy agenda since then, though it was completed in 2005 after several unsuccessful attempts.

The early privatisation process of Turk Telekom (1993-2001) was primarily pushed by the international financial institutions (IFIs) and by the ruling government elites as a result of the increasing financial constraints of the state. The dominant fractions of power bloc were reluctant to support the process (TUSIAD 1995b, 131-134). Moreover, opponents of the Turk Telekom privatisation existed inside Turkish state apparatus with membership from statist bureaucracy and opposition parties (Onis 2011, 714). The reluctance of the power bloc to support privatisation and strong opposition inside state apparatus constituted historically specific material condensation and institutionalisation of class struggle, which produced intra-state conflicts and prevented the privatisation of Turk Telekom in the 1990s. I argue that two specific factors enabled privatisation in 2005. First, the power bloc under the

leadership of TUSIAD finally understood the potential of the Turk Telekom privatisation (and the spread of new communication technologies) for new productivity gains within new domestic accumulation imperatives, which were centred on the capacity of large holding groups to integrate into global economy (TUSIAD 2001b; DPT 2007a). Second, the AKP (Justice and Development Party; *Adalet ve Kalkınma Partisi*) emerged as a single party majority government in the 2002 elections with a commitment to Turk Telekom privatisation that mitigated the opposition inside the state apparatus (DPT 2007a, 64-69).

I develop this argument in three sections. Section 7.1 looks at the early development of the telecommunications sector in Turkey from 1923 to 1993. Section 7.2 analyses the contested privatisation process of TT from 1993 to 2001. Special attention is given to contradictory positions of neoliberal state elites, fractions of power bloc and developmentally oriented state bureaucrats on privatisation, and how these different positions produced legal battles and intra-state conflicts over Turk Telekom privatisation. Section 7.3 then discusses how Turk Telekom privatisation gained momentum and was completed in the mid-2000s after the AKP government and fractions of power bloc provided strong support to privatisation.

7.1. The Early Development of the Telecommunication Sector in Turkey: 1923 to 1993

As the Turkish state geared towards the national capitalist development and modernization of the Turkish society, it was also creating telecommunications sector. The early development of the telecommunications sector in Turkey can be adjudged to have gone through two roughly delineated phases, with 1980 acting as a boundary between them. During the first 'long' phase between 1923 and 1980, the state authorities had mobilized scarce financial resources and thereby made very little progress towards developing the quantity and quality of telecommunications services, as compared to the priority assigned to the manufacturing of basic goods (for example, textile, sugar) and industrial inputs (for example, iron-steel, cement) (DPT 1979, 419; Weiker 1981, 202; Kepenek 1983). The second phase (1980-1993), however, has had two aspects. One has

been to respond to SALs (structural adjustment loans) and shift public resources-priorities away from manufacturing to the expansion of the telecommunications sector as part of the neoliberal adjustment program (Yalman 2009). The second has been to support the process of an outward-orientation of Turkish economy, in a sense, the reflexive response to the delayed introduction of new information and telecommunication technologies (Wolcott and Cagiltay 2001; Cakal 1996). In what follows, I shall explore these two phases.

The Long Development Phase: 1923 to 1980

The 1919-1922 national liberation struggles against foreign occupation ended with the foundation of the Republic of Turkey in 1923. The new Constitution of the Republic mandated that postal and telecommunications services were to be provided by the Turkish state alone (Wolcott and Cagiltay 2001, 134). The CHP (*Cumhuriyetçi Halk Partisi*; Republican People's Party) assumed the first government and established the PTT as a state-owned enterprise in 1924. The PTT received a monopoly over post, telegraph and telephone services (Aybar, Guney and Suel 2001, 11). The expansion and development of these services (especially telephone) proceeded very slowly throughout the 1930s and 1940s due to two factors. First, Turkey had a considerable amount of foreign debt at the time (Boratav 2011). Second, the state-led and inward-oriented capitalist development of Turkey was given centrality to the establishment of large-scale state-owned enterprises in manufacturing sectors (as elaborated on in Chapter 3). Turkey's telecommunications infrastructure therefore remained inadequate for the development of industry, tourism and trade during the 1930s and 1940s (Thornburg, Spy and Soule 1949, 90).

In 1950 the newly formed DP (*Demokrat Parti*) won the general election and immediately started to invest public funds in the transportation and communication infrastructures to expand the domestic market and ensure the flow of people and information between rural and urban centres (DPT 1963, 19; Keyder 1989, 159). This program was also financially supported by official bilateral aid framed by the American military Truman Doctrine and the economic Marshall Plan to establish American hegemony over many parts of the

world in the aftermath of the World War II (IBRD 1951, 138-140). The power plants (for example, coal and electricity), transportation (mainly road building) and communication had received the second largest share of American dollar aid after agriculture (Ustun 1997, 51). As a result, the DP government managed to boost the post and telegraph networks to adequate levels. However, the telephone network was far from satisfying needs even though the DP tried hard to modernize telephone services in Istanbul and extend telephone services into rural areas. The telephone line capacity reached 287,000 in 1960, but there were nearly twice as many people waiting for telephone lines (IBRD 1951; DPT 1963, 384).

The May 1960 coup ended the DP period and opened a new era of five-year development plans to coordinate the activities of different units of economy, support private sector development and achieve the goal of rapid industrialization (Ozturk 2010, 83-84; Marois 2012, 55). The Turkish state sector was entrusted with important duties within the principles of this mixed-economy framework. State authorities turned more and more to those industries that produced intermediate goods such as iron and steel, aluminum, petroleum products and paper by using approximately 35 per cent of the total state budget. The remaining state resources were spent on expanding electricity production capacity and improving the road and rail transportation infrastructure (Cumhuriyet Senatosu 1971, 410; Cumhuriyet Senatosu 1976, 77, 444; Cumhuriyet Senatosu 1977, 671). The PTT experienced difficulties in accessing funding from the state (DPT 1973, 606). It seemed that the telecommunications sector was neglected by the state. The domestic private capital, however, did not seem to complain about this situation (Weiker 1981, 205). Domestic private capital recognised that iron-steel or electricity were more fundamental materials than telecommunication for development in the industrializing society. The industrializing society could not fully expand without iron-steel or electricity (Castells and Cardoso 2005, 3).

Neither did the domestic private capital have any interest in making a significant investment in the telecommunications sector itself (Yilmaz 2000, 11). Rather, the domestic private capital preferred to invest in the manufacturing of durable consumer goods (Taylan 1984, 15; Ozturk 2010, 83-84). As part of its

activity in manufacturing, the domestic private capital supplied more than 90 per cent of the telecom equipment (for example, switches, cables, transmission systems, end-user terminals and circuit boards) required by the PTT (World Bank 1993, 130).

The little interest shown on the part of the state and private sector in the telecommunications sector led to some negative outcomes. There were nearly as many people waiting for telephone lines as there were lines and more than 72 per cent of Turkey's 40,000 villages had no access to telephone services in the late 1970s. The telephone line density had grown to only approximately 2.5 lines per 100 inhabitants (Wolcott and Cagiltay 2001). Other developing countries such as Argentina with 7 lines per 100, Greece with 24 lines per 100 and Mexico with 4 lines per 100 were doing much better (World Development Indicators 1980).¹⁶⁰ Moreover, faults and interruptions in telephone connections were frequent in Turkey (DPT 1979, 419). As Walter Weiker puts it: "There are few things about which there are more complaints than the telephone system in Turkey. Estimates of projected demand far exceed foreseeable supply" (Weiker 1981, 202). In brief, the development of telecommunication sector in Turkey from 1923 to 1980 was inadequate (DPT 1985).

The Transition to Neoliberalism and the Restructuring of PTT: 1980 to 1993

The neoliberal adjustment program crafted by the Turgut Ozal ANAP (Motherland Party; *Anavatan Partisi*) government (1983 to 1989) signalled a turning point. The program placed a high value on the expansion of the telecommunications sector. This was motivated by two factors. First, the ANAP government decided to shift the composition of public investment away from manufacturing (for example, petroleum refining, iron-steel) to public services that possess a monopoly of service provision (for example, telecommunications) as part of the overall neoliberal objective of reducing state involvement into the economy (Cakal 1996, 99). The World Bank was quite instrumental through SALs in reducing state investments in the manufacturing sector (Yalman 2009,

¹⁶⁰ <http://data.worldbank.org/indicator/IT.MLT.MAIN.P2?page=6>

259). By 1987 public investment in manufacturing was reduced to only 6.5 per cent of total public fixed investment compared to 29 per cent in 1980 (Yalman 2009, 271). Second, neoliberal technocrats of Ozal, educated in Europe-America and being influenced by the global information revolution, reasoned that the telecommunications sector was increasingly becoming a must in order to provide a vital infrastructure in support of the new outward orientation of Turkish economy (Wolcott and Cagiltay 2001, 135).¹⁶¹

The representative associations of the domestic capital groups such as TUSIAD (Turkish Industrialists Businessmen's Association; *Türk Sanayicileri ve İşadamları Derneği*) were also effective in internalizing and articulating the shift from the strategy of industrial deepening to a strategy of prioritizing the telecommunications sector. This is because TUSIAD believed that the international financial institutions would not give their consent for the needed foreign credits at a critical juncture, if Turkey continued to pursue the particular strategy of industrial deepening (Yalman 2009, 269). However, there was still no evidence that TUSIAD and industrialists had assigned priority to the relationship between telecommunication investments and new productivity sources or adaptability to the global economy.

The Ministry of Transport and the PTT embarked on a sustained investment program with the public resources made available by the shift away from manufacturing investments and the World Bank's SALs (World Bank 1993, 12).¹⁶² PTT's investments increased from \$288.8 million in 1983 to \$770.5 million in 1993 (with a peak of \$876.5 million in 1985). Between 1983 and 1993, the PTT Investment/GNP ratio stayed around 0.83 per cent average (see Table 7.1). This ratio was higher than any other OECD country (World Bank 1993, 124).

Table 7.1: PTT's Investments (1983-1993)

Year	Investment (\$ million)	Investment/GNP (%)
1983	288.8	0.56
1985	459.4	0.85
1987	876.5	1.28

¹⁶¹ Two examples of these neoliberal technocrats are Ekrem Pakdemir (Minister of Transport, 1987-1989), and Emin Baser (Director General of the PTT, 1985-1991).

¹⁶² The Ministry of Transport was responsible for the communication sector.

1989	402.4	0.50
1991	852.3	0.80
1993	770.5	0.71

Source: World Bank (1993); Cakal (1996)

The effects of the investment program soon became evident. The Ministry of Transport and the PTT achieved considerable success in improving telecommunications infrastructure during the 1980s. The telephone network expanded significantly within ten years. For instance, the number of subscribers rose from 1.66 million to 6.8 million, the number of villages without access to telephone line decreased to zero, and the waiting list reduced to nearly one sixth of the existing subscribers (World Bank 1992, 12; DPT 1990, 278).

The next step was to develop strategies to maintain network expansion and restructure the expanded structure of PTT. One strategy involved the sale of state-owned shares in equipment manufacturing subsidiaries of PTT, namely Teletas and Netas (Kiyan and Yuksel 2011, 56). First, the ANAP government started the divestiture process of Teletas in February 1988 with an offering of the 22 per cent of the shares to the general public for a price of \$13 million (Onis 1991, 168; Okten 2006). In late 1993, the DYP-CHP coalition (1993 to 1995) sold the remaining state shares (18 per cent) in Teletas to Bell Telephone Company for a price of \$21 million (Okten 2006). Second, the DYP-SHP coalition (1991 to 1993) sold 20 per cent of the Netas' shares to Canadian Northern Electric for a price of \$26 million in March 1993.¹⁶³ The DYP-CHP coalition then sold the remaining shares (29 per cent) via IMKB to both domestic and foreign investors for a price of \$65 million (Okten 2006; Cakal 1996, 113-114). Consequently, the financial resources coming from the privatisation transactions of Teletas and Netas helped the PTT to invest more on the expansion of the telephone network (World Bank 1993, 130). Domestic capital groups were happy with the result. There was a vibrant private industry (including Bekoteknik, Vestel and Profilo) competing with Teletas and Netas to supply all kinds of cables and transmission systems to PTT (World Bank 1992, 50). The sale of state-shares in Teletas and Netas meant a greater exposure of the equipment manufacturing sub-sector to market competition.

¹⁶³ Official website of Netas, can be accessed on <http://www.netas.com.tr/en/corporate/about-netas/736>

Another strategy involved a kick-start of the mobile telecommunications sector to keep up with the latest technology. In 1993, the PTT made a revenue sharing agreement with two private GSM operators –Turkcell and Telsim.¹⁶⁴ The agreement stipulated that the PTT would obtain 67 per cent of the mobile communication revenues, and the private operators would retain the rest. Turkcell and Telsim would undertake all the necessary infrastructure investments, but their ownership would be retained by the PTT (Atiyas and Dogan 2007). The central rationale for these PPPs (Public-Private Partnerships) is that they provided direct investment by the private sector as an alternative to public finance, thus reducing the need for public finance through increased government debt. Critics argue that the most fundamental problem with PPPs is that, even during good times, they are a more expensive way of financing capital than state borrowing (Fine and Hall 2012, 56). Even though PPPs could be an expensive way of financing, they paved the way for the first major investment of the Turkish private sector in the telecommunications sector.

The last strategy involved dividing the PTT into two separate companies in 1993; one would be responsible for the post and telegraph services, while the other would be responsible for telephone services. This led to the creation of Turk Telekom as a state economic enterprise to provide telephone services. All of the personnel, assets and obligations of the PTT pertaining to telephone services were transferred to Turk Telekom, which has since become a national monopoly with exclusive rights to all fixed-line voice operations and all telecommunications infrastructure (Akdemir, Basci and Togan 2007, 1116).

What we have seen in this historical review is that the Turkish telecommunications sector lagged behind with the overall development of Turkish capitalism and the global spread of new telecommunication technologies until the early 1980s. The much needed expansion of the telecommunications network and delayed introduction of new telecommunication technologies (for example, mobile telecommunication) accelerated between 1983 and 1993 under the pressures of WB's SALs. But there was still no serious sign that Turkish state authorities (except some neoliberal technocrats) and domestic private capital

¹⁶⁴ Personal Interview with Ayhan Sarisu, Privatisation Authority, Head of Project Group 4, Founder and Deputy Chairman of International Public and Private Partnerships Platform of Turkey, 18 October 2012

had the full realization of new information and telecommunication technologies' developmental value (increasing competitiveness, creating productivity sources). This would have an impact on the privatisation process of Turk Telekom between 1993 and 2001. I will dwell on this in the next section.

7.2. The Contested Privatisation Process of Turk Telekom: 1993 to 2001

The privatisation process of Turk Telekom started in 1993. Despite its late start in comparison to other major SOE privatisations (for example, Erdemir, Petkim), the Turk Telekom privatisation remained the highest item on the privatisation agenda throughout the 1990s (Angin and Bedirhanoglu 2012, 155). Neoliberal state elites in Turkey (for example, Tansu Ciller, Tezcan Yaramanci, Kemal Dervis) and IFIs pushed for the privatisation of Turk Telekom. But the reluctance of Turkish capital (for example, TUSIAD, MUSIAD) to support privatisation was combined with the resistance of a group of state bureaucrats and state elites that continued to function in line with the principles (for example, national interest, public interest) of the inward-oriented accumulation period (TUSIAD 1995b, 131-134; Onis 2011, 714). The resulting historically specific material condensation and institutionalization of class struggle produced legal battles and intra-state conflicts that had paralyzed the privatisation process of Turk Telekom in the 1990s. I argue this by first explaining the policy stances of different individual and collective agents on the privatisation of Turk Telekom. Next, I explore the legal battle and intra-state conflicts over the Turk Telekom privatisation.

Neoliberal State Elites, 1994 Crisis and IMF

The DYP (True Path Party; *Dogru Yol Partisi*) and Tansu Ciller emerged as key political figures in the execution of the Turk Telekom privatization. Ciller served as the Minister of Economy from 1991 to 1993, then as Prime Minister and leader of the DYP from 1993 to 1996. The DYP and Ciller were very serious and impatient to get started because they believed that the privatization of Turk

Telekom would help reduce the domestic indebtedness of Turkey that was by that time approximately \$14 to 16 billion (Angin and Bedirhanoglu 2012, 155).¹⁶⁵ In this way, Ciller even threatened the coalition government's partner SHP (Social Democratic Populist Party; *Sosyal Demokrat Halkci Parti*) that 'no step will be taken in other areas before the privatization program of Turk Telekom starts'.¹⁶⁶

The DYP-SHP coalition took the first step towards privatizing Turk Telekom by enacting the Decree Law 509 in August 1993 (Cakal 1996, 116; DPT 2001a, 13). The Decree Law 509 allowed the governing body of the Turk Telekom, or the board of directors, to transfer up to 49 per cent of the company's shares to third parties with the approval of the Ministry of Transport (Decree Law 509; Ozbudun and Yuruk 2003). In late 1993, Ciller took the second step and asked neoliberal technocrat Tezcan Yaramanci to take administrative control of the privatisation program. Within a year Yaramanci designed and had written the 1994 Privatization Law (4046), which the government passed on 27 November and which remains in force today with certain amendments (Marois 2012, 103). The 1994 law not only attempted to better institutionalize the legal basis of privatisation in the state apparatus, but also enabled state managers to restructure the internal operations of SOEs (and TT) in preparation for privatisation (OECD 1999, 113).

The actions of the DYP, Ciller and Yaramanci towards the Turk Telekom privatisation were subject to the structural crisis imperatives and the IMF pressures. In early 1994, the Turkish economy went into a deep recession as the lira collapsed, and inflation and interest rates reached three-digit levels (Akyuz and Boratav 2003, 1552). The Ciller DYP administration responded with the April 1994 IMF-crafted stabilization programme to help regain control of the Turkish economy. This involved a 14-month IMF stand-by agreement that totaled nearly \$ 1 billion (Marois 2012, 107; Osman 2000, 11). The IMF stand-by agreement attached high priority to fiscal adjustment and structural reforms in the public sector including privatisation and downsizing of the SOEs (Celasun 2001, 232; Oguz 2008, 115). As soon as the DYP and Ciller showed commitment

¹⁶⁵ "Ciller: 1995'teki hedefimiz ozellestirme", *Zaman*, 28 Ocak 1995

¹⁶⁶ "Ciller, grubuna soz geciremiyor", *Zaman*, 5 Ekim 1994

towards privatisation in general and Turk Telekom privatisation in particular by enacting laws (for example, Privatisation Law 4046, Turk Telekom Law 4000), the IMF pledged \$740 million in stand-by credit.

In these ways, we have seen that the DYP administration and neoliberal state elites pushed the Turk Telekom privatisation as a possible solution to economic recovery under the pressures and watchful eye of the IMF.

Reluctant Power Bloc: TUSIAD and MUSIAD

As two powerful fractions of power bloc, the TUSIAD and MUSIAD (Independent Industrialist Businessmen's Association; *Mustakil Sanayicileri ve Isadamlari Derneği*) were reluctant to push for the privatisation of Turk Telekom, implying that they did not necessarily agree with all the policy measures (that is, timing and method of privatisation) attached to it.

In line with the neoliberal ideals, TUSIAD, the representative association of large holding groups, declared that the privatization processes in Turkey should be carried out continuously to reduce the SOE burden on the economy. But TUSIAD also added that privatisation of large-scale SOEs such as Turk Telekom may not be possible for some time (TUSIAD 1995a, 22, 45; TUSIAD 1995b, 131-134). TUSIAD offered commercialization as an alternative strategy to the privatization of those large-scale SOEs (for example, Turk Telekom) by the method of block sale (TUSIAD 1995b, 134).¹⁶⁷ Commercialization refers to a process by which private sector management principles and market practices are introduced into the operational decision making of SOEs –for example, profit maximization, cost reduction, decentralization, and performance targeted salaries. In this way, SOEs remain state owned and operated but run on market principles (McDonalds and Ruiters 2005, 4; McDonalds and Ruiters 2012, 35). This is because, in a period of high economic instability in which interest rates were very high and speculative financial assets were popular than real assets ('finance protectionism' as elaborated on in Chapter 4), the TUSIAD-based

¹⁶⁷ "Ozerklestirmeye sartli destek", *Cumhuriyet*, 19 Aralik 1991; "Ozerklestirme politik cesaret ister", *Cumhuriyet*, 11 Ocak 1992

holding groups were unwilling to invest in privatized utilities such as Turk Telekom (Guran 2011, 40).¹⁶⁸

MUSIAD (Independent Industrialist Businessmen's Association; *Mustakil Sanayicileri ve Isadamlari Dernegi*), the representative organisation of Islamic-influenced Anatolian firms, was more reluctant than TUSIAD to support Turk Telekom privatisation. MUSIAD had two concerns. First, MUSIAD was concerned about the potential illegalities and non-transparency in the privatisation process (MUSIAD 1996, 52). Specifically, MUSIAD feared that the privatisation tender of Turk Telekom would be carried behind closed doors between powerful TUSIAD-based holding groups and state authorities, thereby contributing to increasing dominance and monopolization of TUSIAD in the Turkish economy (MUSIAD 1993, 3). This meant that MUSIAD trusted neither the TUSIAD nor DYP administration for the block sale of large-scale SOEs such as Turk Telekom. Instead, MUSIAD suggested that Turkey should privatize Turk Telekom through the public offering method by selling shares to Turkish citizens working abroad (MUSIAD 1993, 3; MUSIAD 1996, 52-53). Second, MUSIAD was concerned about the sale of Turk Telekom to foreign capital. MUSIAD argued that the share of foreign capital in a Turk Telekom privatisation must be limited to a certain percentage, and priority must be given to national capitalists (MUSIAD 1995, 66-67). As such, the government and the PA (Privatisation Authority; *Ozellestirme Idaresi*) should offer at least 90 per cent of shares to Turkish investors (MUSIAD 1993, 3).

Resistance Within State Apparatus

The reluctance of the power bloc to support privatisation and contradictions of ongoing neoliberal transformation in Turkey are reflected in the upper reaches of the state personnel. As a result, a strong resistance to Turk Telekom privatisation existed within the state apparatus around two centers.

One important center of resistance inside the state apparatus included elements from social democratic parties (for example, SHP, and DSP –Democratic Left Party) and statist bureaucrats of the judiciary apparatus. These state elites

¹⁶⁸ "Bolak: Devlet yatirimi birakmali", *Zaman*, 28 Eylul 1996

and bureaucrats refused internalizing neoliberal imperatives and continued to function in line with the principles of the inward oriented accumulation of the 1970s (Oguz 2008, 16). The common denominator of these people was that Turk Telekom could be operated efficiently and reform could be accomplished without giving up public ownership. In other words, it did not make sense to these people, on the grounds of public interest and national interest, to sell highly profitable and strategic public enterprises (Onis 2011, 714). For example, former Turkish Foreign Minister and law professor, Mumtaz Soysal, who resigned from the DYP-SHP coalition government following the adoption of the Privatisation Law in 1994, criticized the Ciller coalition government for selling Turk Telekom that was located in a highly strategic telecommunications sector (Oguz 2008, 170).¹⁶⁹ The resistance of these people institutionalized within KIGEM (Center for Development of Public Management; *Kamu Isletmeciligini Gelistirme Merkezi*) and found material expression in the decisions of the Constitutional Court on Turk Telekom privatisation.

The Islamic-influenced RP, representing the interest of MUSIAD in the political scene, formed another important center of resistance to the Turk Telekom privatisation. The RP's resistance to Turk Telekom privatisation was based on two grounds. First, the RP emphasized that Turk Telekom had been a profit-making business over the past 15 years (see Table 7.2). In this way, RP argued that the Turk Telekom privatisation was a plunder of one of Turkey's most precious companies (TBMM 1995, 441).¹⁷⁰

Table 7.2: Turk Telekom Annual Profits (\$ million)

Year	Profit
1993	287
1994	183
1995	419

Source: Yilmaz (1987, 31)

Second, the RP asserted that Turk Telekom had strategic importance to national intelligence and military communications (TBMM 1995, 456-457). The privatisation of such strategic enterprise, RP believed, would enable foreign

¹⁶⁹ "Ya bana destek olun, ya kurultaya gidelim", *Zaman*, 21 Eylul 1994; "Soysal koalisyonu bitirebilir", *Zaman*, 4 Ekim 1994

¹⁷⁰ "Hukumet akl-i selimini kaybetti", *Zaman*, 21 Eylul 1994; "Erbakan: Ozellestirme yagmalama oldu", *Zaman*, 30 Eylul 1994

powers to exercise real political influence in Turkish society (TBMM 1995, 458). The deputies of RP, Zeki Ergezen and Salih Kapusuz, officially announced that if the Turk Telekom privatisation deal went through, they would cancel it as soon as they came into power (TBMM 1995, 440, 445). The RP deputies (for example, Salih Kapusuz, Abdullah Gul, Zeki Ergezer) also provided numerical support to the KIGEM and Mumtaz Soysal to file a number of constitutional reviews for legislations organizing the privatisation of Turk Telekom (Telekomcular Dernegi 2011).¹⁷¹ Now I will turn to decisions of the Constitutional Court.

The Legal Battle: Constitutional Court

Between 1993 and 1996, advocates and opponents of the Turk Telekom privatisation entered into a legal battle within the Constitutional Court. Following the applications of several SHP, DSP and RP deputies under the leadership of Mumtaz Soysal and KIGEM, the Constitutional Court consecutively cancelled the laws prepared by the DYP government to carry out the Turk Telekom privatisation. Contrary to institutionalist accounts (as elaborated on in Chapter 2), legal institutions are not external to societal actors and are not acting self-autonomously to block privatisations. Rather, the Constitutional Court's decisions resulted from a historically specific material condensation and institutionalization of class struggle as discussed above.

The legal battle started when the Ciller government enacted the Decree-Law 509 in August 1993 to authorize the Ministry of Transport to privatise up to 49 per cent of the Turk Telekom shares (Decree Law 509). Little less than 100 deputies of SHP, DSP and RP led by Mumtaz Soysal filed a constitutional review of the Decree-Law 509 to the Constitutional Court on three grounds: (1) independence of the Turkish nation, (2) private monopolisation, (3) lack of legal basis (Resmi Gazete 1993). The Constitutional Court cancelled the authorizing Law 3911, which gave the government a wide range of powers to issue decree-laws (including Decree-Law 509), on the grounds that it amounted to the transfer of law-making authority from the parliament to the executive (Resmi

¹⁷¹ There should be at least 90 signatures from the deputies in the Turkish Parliament to file constitutional review cases.

Gazete 1993, 32). The Decree-Law 509 was therefore declared null and void. The Court argued that 'if there is no authorisation law, there would be no decree-law' (Resmi Gazete 1993, 30).

The Ciller coalition recognised that it is difficult to proceed with decree-laws that might be declared null and void as soon as their authorisation laws are challenged by the opposition parties. The coalition thus prepared and enacted the Law 4000 in June 1994. The Article 17 of Law 4000 authorised the Ministry of Transport to determine the rules and procedures needed to privatise up to 49 per cent of the Turk Telekom's shares, whilst the Transport Minister is authorised to determine the amount of shares that would be handed to the Post Office (Resmi Gazete 1995, 20-21). However, the same group of deputies filed a claim to the Constitutional Court for the cancellation of Article 17 of the Law 4000 on four grounds: (1) independence of Turkish nation, (2) private monopolisation, (3) public service character of telecommunications services, (4) indefinite and unclear rights given to authorities (Resmi Gazete 1995, 29-30). The Constitutional Court decided to cancel Article 17 on the basis that giving such indefinite and unclear authority to the Ministry of Transport and the Transport Minister over valuation and sales methods meant a transfer of legislative authority to executive organs (Resmi Gazete 1995, 29-30).

In May 1995, the Ciller coalition government enacted the Law 4107 to replace Article 17 of Law 4000 that was cancelled by the Constitutional Court. The government synthesized a series of lessons from the previous Court decisions before preparing the Law 4107. Therefore, the Law 4107 authorized the Privatisation High Council (PHC) and the Privatisation Authority (PA) instead of the Ministry of Transport to manage Turk Telekom's privatisation process. Law 4107 also clearly specified the amount of shares that would be allocated to the Post Office (10%), employees and small savers (5%) and institutional investors (34%) (Resmi Gazete 1996, 54). Opponents of the Turk Telekom privatisation inside the state apparatus did not give up. Mumtaz Soysal, together with 89 deputies, filed a lawsuit to the Constitutional Court against Law 4107 by emphasizing two points. First, although the statement of clear allocation of shares to different groups could be welcomed, the law is still acting against the principles of the Constitution (for example, independence of Turkish nation)

because it does not prevent employees and small savers to sell their shares to foreign investors at some point in future (Resmi Gazete 1996, 36-39). Second, the authority that was previously given to the Ministry of Transport could not become constitutionally fit when it has transferred to the PHC and the PA. This is because the roles and functions of the PHC and the PA within the state apparatus were not yet clearly established, and the PHC and PA are not supreme to the Ministry of Transport (Resmi Gazete 1996, 40-42). The Constitutional Court ruled that authorising the PHC and PA to manage the privatisation process (for example, choosing the valuation and sales method) is against the Constitution because it gives too much discretion to those institutions at the expense of legislative power. According to the Court, those issues should have been decided by the legislative power and clearly stated in the law (Resmi Gazete 1996, 62-65).

What we have seen from these Constitutional Court decisions is how the pre-existing institutional frameworks, reflecting a different logic of accumulation, could be used to prevent privatisation if there is a strong societal will.

State Restructuring Reforms and Two Block Sale Tenders

The worsening macroeconomic conditions and growing debt of Turkey during the late 1990s and accompanying pressures of the IFIs, once again, pushed for Turk Telekom privatisation. In 1999 and 2000, the DSP coalition government (May 1999-November 2002) had few options but to adopt the IMF-crafted state restructuring program to institutionalize privatisation logic within the state apparatus while pledging itself to bring about an immediate primary budget surplus via major privatisations in telecommunication and energy sectors. The two block sale tenders of Turk Telekom in 2000, however, proved to be failures due to intra-state conflicts. I will detail this below.

The international impact of the 1997 Asian crisis caused capital inflows from advanced capitalist states into Turkey to slow dramatically, which in turn led to the collapse of growth by up to 3 per cent by 1998. The 1998 Russian crisis only worsened matters. Capital flight accelerated and this put greater pressure

on domestic capital resources, especially since the Turkish economy was already slowing (Marois 2012, 118-119). As a result, a banking crisis struck Turkey in November 2000. Foreign financial capital withdrew nearly \$6 billion from Turkey causing a collapse in foreign reserves and an increase in domestic interest rates, bringing Turkey to near financial collapse (Marois 2012, 124; Akyuz and Boratav 2003, 1554-1557). Moreover, eight small and medium-sized private Turkish banks failed and were rescued by the DSP coalition (May 1999-November 2002) (Pamukoglu 2012).

This economic volatility constrained the range of options politically. To support recovery efforts, Turkish authorities agreed to frame a program with the IMF around three policy areas: tight fiscal and monetary policies, ambitious market-oriented structural reforms with Turk Telekom privatisation at the fore, and a firm commitment to eradicate inflation (IMF 1999a, 2).¹⁷² The Letters of Intent to the IMF in June 1998 and December 1999 are worth quoting.

“In 1998, some \$2 billion of privatisation proceeds will be used for debt reduction. In 1999, at least \$3 billion will be used for this purpose (IMF 1998a, 4). The privatisation program for 2000 is ambitious, but we expect to realize some \$7.6 billion over the course of the year. These receipts are expected to come from: (i) the sale of 20 per cent of Turk Telekom to a strategic investor, as well as wireless licenses; (ii) the TOR for electricity distributions and power plants; (iii) the sale by the PA of the enterprises listed in Attachment II (IMF 1999a, 14)”.

To achieve successful privatisation of Turk Telekom, the IMF Directors and the European Commission urged the Turkish authorities that deeper legal and institutional reforms were required. These reforms included the introduction of appropriate legislation and international arbitration, and the establishment of an appropriate regulatory framework (IMF 1998b, 4; IMF 1999a, 14; European Commission 1998, 40). In response, the DSP coalition initiated state restructuring reforms in two key areas: constitutional amendments, and regulatory authority. It is important to note that the reform process has not been characterised by the weakening of the state legal and regulatory apparatus to eliminate its functions. It is rather characterised by the restructuring of the so-called national developmental institutions of the previous

¹⁷² “IMF Telekom’dan tedirgin”, *Zaman*, 8 Eylül 2000

period (for example, Constitutional Court) to institutionalise privatisation logic within the state apparatus.

First, the DSP coalition brought through Parliament two important amendments to the Turkish Constitution. The Parliamentary decision incorporated the concept of privatisation into the Constitution by changing the title of the Article 47 of the Constitution from 'Nationalisation' to 'Nationalisation and Privatisation' in August 1999 (Oguz 2008, 178). In a 2012 interview, the State Minister Responsible for Privatisations, Yuksel Yalova, told me, "Privatisation of Turk Telekom thus gained constitutional ground for the first time".¹⁷³ The Parliamentary decision also incorporated the international arbitration principle into the Constitution by adding the following provision to the Article 125 of the Constitution: 'those disputes involving an element of foreignness may be submitted to international arbitration'.¹⁷⁴ This amendment provided a constitutional ground for the parties to any contract regarding public services to resort to international arbitration if the contract involves a foreign element (Oguz 2008, 178).

Second, the DSP coalition government took further steps towards restructuring the Turkish state in ways that increasingly facilitated the Turk Telekom privatisation. This included the establishment of the Telecommunication Authority (*Telekomunikasyon Kurumu*) as an independent regulatory agency in 2000 (Bagdadioglu and Cetinkaya 2010, 729). The Telecommunication Authority took over those authorities of preparing sector specific legislations, determining the prices of telecommunications services, setting and regulating tariffs, monitoring compliance and imposing fines in case of non-compliance from the Ministry of Transport and the Turk Telekom. The Ministry of Transport's authorities were thus reduced only in terms of formulating sectoral policies in light of the government agenda and issuing concessions and licences (Akdemir, Basci and Togan 2007, 3). The pressures of the European Commission, which stated Turkey must follow guidelines of the regulatory regime on telecommunications set out in Chapter 19 of the EU

¹⁷³ Personel Interview with Yuksel Yalova, State Minister Responsible for Privatisations (1999-2002), 16 October 2012.

¹⁷⁴ Constitution of the Republic of Turkey, can be accessed on https://global.tbmm.gov.tr/docs/constitution_en.pdf

“acquis” for candidate members were influential in persuading Turkish government (Burnham 2006, 1; Ozel and Atiyas 2011, 55-56).

These key legal and regulatory changes associated with the state restructuring are significant. The DSP government and the IFIs reasoned that these changes would provide the necessary infrastructure for the Turk Telekom privatisation to take off by removing some of the powers of the Constitutional Court and the Ministry of Transport exercised earlier to block privatisation efforts (Ozbudun and Genckaya 2009, 46; European Commission 1999, 23). Yet, the reasoning of the government and IFIs proved wrong as the two block sale tenders of Turk Telekom failed in 2000. This is because there was still considerable resistance to the Turk Telekom privatisation within the state apparatus stemming mostly from the MHP and DSP.¹⁷⁵ Instead of challenging the Turk Telekom privatisation through the Constitutional Court as it became difficult after amendments, the opponents targeted the specific legal and institutional issues (for example, control rights, golden share) to block privatisation efforts. This suggests that there is a need to move beyond institutions, without jettisoning them, to understand the class struggle and the power relations inscribing the state (Greenfield 2005, 178). Below I will explain this in detail.

The PA announced the first tender for the block sale of 20 per cent of Turk Telekom shares in June 2000. Soon after, the DSP coalition government cancelled the tender due to limited interest of potential buyers (World Bank 2000, 65). Given limited interest in the tender among potential investors, the government increased the amount of saleable shares from 20 per cent to 33.5 per cent and authorized the PHC to extend the degree of control rights that would be given to buyers (Privatisation Authority Document 2012).¹⁷⁶ The PA subsequently announced the second tender for the block sale of 33.5 per cent of Turk Telekom shares in December 2000 (Atiyas and Dogan 2010, 264).¹⁷⁷ Domestic and foreign investors found the proposed proportion of shares and control rights was still insufficient and did not make any bids, though some of

¹⁷⁵ “Murat Yetkin: Bir Ozellestirmenin Ekonomi Politigi”, *Radikal*, 2 Temmuz 2005

¹⁷⁶ See also Council of Ministers Decision No. 2000/1653 and Privatization High Council Decision No. 2000/88

¹⁷⁷ “Turk Telekom’un ihalesi start aldi”, *Zaman*, 15 Aralik 2000

them had purchased tender specification documentation from the PA. The government had to cancel the tender in May 2001 (Privatisation Authority Document 2012).

These two tenders failed because the government was not able to increase the proportion of saleable shares and control rights up to the level that investors wanted because of the opposition within the state apparatus. This opposition found expression as intra-state conflicts between Enis Oksuz, Minister of Transport; Yuksel Yalova, Minister of State Responsible for Privatisation; and Kemal Dervis, a long time World Bank executive and capable neoliberal technocrat appointed as the Minister of Economy to spearhead reforms (Atiyas and Dogan 2010, 264-265; Oguz 2008, 185). First, they clashed over the control rights. Oksuz did not want to grant any control rights to the new buyer, while Yalova insisted that no one would buy Turk Telekom otherwise. Dervis also stepped in to warn everyone that granting control rights to buyer was among the commitments made to the IMF (Kiyan and Yuksel 2011, 57). In a 2013 interview, the Head of the Turk Telekom Privatisation Project, Gunden Cinar, summarises how the intervention of Oksuz reduced the likelihood of success:

“When you offer 20 or 33.5 per cent of shares without strong control rights, the buyer would be dependent on public procurement law, would have to employ public employees, and would have to ask for permission of the State Planning Organisation before making any investment. Therefore, we were not hopeful about the outcome of tenders. We knew that potential buyers would be unwilling to purchase Turk Telekom’ shares under these conditions”.¹⁷⁸

Second, there were conflicts over the foreign ownership in Turk Telekom. Oksuz wanted to limit the amount of shares that could be sold to foreign investors on the grounds of national security, but Dervis rejected any legal barriers to the participation of foreign capital.¹⁷⁹ The Turkish military also became a party to the dispute by presenting its concerns over the relationship

¹⁷⁸ Personal Interview with Gunden Cinar, Privatisation Authority (1999-present), Head of Turk Telekom Privatisation Project (2004-2006), 12 February 2013.

¹⁷⁹ “Turk Telekom wrestles with privatisation”, *EuroAsianet.Org*, 26 March 2001

between the Turk Telekom privatisation and Turkey's defence.¹⁸⁰ The military emphasized that they use fifty thousand fibre-optic cables together with Turk Telekom and, therefore, the government should avoid giving its majority ownership to foreign investors.¹⁸¹ Third, Dervis wanted to include a special article in the Telecommunications Law 4673 that would transfer licensing authority to the Telecommunication Authority, but Oksuz vehemently insisted that the Ministry of Transportation should retain this authority (Oguz 2008, 172). The fourth and last conflict was about the composition of the Turk Telekom board of directors. Oksuz demanded the appointment of elected politicians and state bureaucrats to work on the board, whereas Dervis' choices were mostly professionals from the private sector.¹⁸²

The interventions of the IMF, the WB and the leader of right wing MHP proved decisive in shaping the outcome more in favour of Dervis. First, the IMF announced that if the expected changes did not occur as in line with the agreed stand-by agreements and letter of intents, the next part of the loan (\$1.5 billion) might not be released (Oguz 2008, 172).¹⁸³ Second, the WB, which was also expected to release \$1.7 billion in loans, supported the IMF's announcement the next day (Oguz 2008, 172). Third, and most importantly, the leader of the MHP and Deputy Prime Minister Devlet Bahçeli asked Oksuz, who was also a member of the MHP, to take a step back (Kıyan and Yüksel 2011, 57). Bahçeli added: "As leaders of coalition parties we signed IMF's letter of intent. The austerity conditions of Turkey are making this compulsory. Let's close that matter".¹⁸⁴

The intra-state conflicts prevented the conclusion of the Turk Telekom privatisation, but Dervis' victory over Oksuz resulted in two outcomes. First, it improved the terms by which Turk Telekom would be privatized in the future, including bringing through legislative amendments allowing the divestiture of up to 100 per cent of the company, permitting the Telecommunication Authority to provide licences, and enabling private sector representatives to sit on Turk

¹⁸⁰ "Genelkurmay'a guvence verildi", *Radikal*, 4 Mayıs 2001; "İsmet Berkan: Telekom", *Radikal*, 5 Mayıs 2001; "Murat Belge: Telekom savasının savasçıları", *Radikal*, 12 Mayıs 2001

¹⁸¹ "Telekom yasası nihayet", *Radikal*, 6 Mayıs 2001

¹⁸² Personal Interview with Zafer Tekbudak, Deputy General Manager of Turk Telekom (2000-2001), 18 October 2012. See also "Yonetime hayvan yetistirme uzmanı önerildi", *Milliyet*, 10 Haziran 2001

¹⁸³ "IMF Telekom'dan tedirgin", *Zaman*, 8 Eylül 2000

¹⁸⁴ "Oksuz, böyle teslim olmuş", *Radikal*, 11 Mayıs 2001

Telekom's board (Bagdadioglu and Cetinkaya 2010, 729; Law 4683). The concerns of Oksuz were only taken into account for the issue of foreign investors' ownership.¹⁸⁵ As such, foreign ownership in the company was limited to 45 per cent, while one golden share was reserved for the state (Privatisation Authority 2013). A golden share involved the government's right to approve major strategic decisions such as the sale of shares to a third party and reorganization (Seven 2001, 120). Second, the victory of Dervis over Oksuz signalled the weakening of the anti-Turk Telekom privatisation centres inside the state apparatus.

7.3. Turk Telekom Privatisation Gains Momentum: 2002 to 2006

To date, the Turk Telekom privatisation process lacked two important elements: (1) the active support of the fractions of Turkish power bloc, and (2) the presence of a highly centralized and strong executive authority. The impact of the February 2001 crisis, however, changed this situation by causing the formation of a new set of strategies (Marois 2012, 165-168). First, in the post-2001 crisis era, the new domestic accumulation imperatives centered on the capacity of large domestic companies to expand internationally and engage in competition with global capital for exports (Ercan and Oguz 2015, 120-121). In this new context, the power bloc under the leadership of TUSIAD finally understood that information and communication technologies were at the root of new productivity sources and began providing active support for the Turk Telekom privatisation (DPT 2007a; TUSIAD 2001). Second, the AKP emerged as single party majority government in the November 2002 elections with a strong political commitment to Turk Telekom privatisation (Ertugrul 2009, 524-526). The AKP mitigated the resistance of state elites, which struggled against Turk Telekom privatisation throughout the 1990s, by reproducing a specific form of 'normality and necessity' based on the capitalist market rationality, efficiency, fiscal health and productivity gains (Angin and Bedirhanoglu 2012, 154). I will elaborate on the power bloc and the AKP below.

¹⁸⁵ "Telekom yasasi nihayet", *Radikal*, 6 Mayıs 2001

New Domestic Accumulation Imperatives and Power Bloc

The European Union (EU) Customs Union Agreement with Turkey reduced tariffs on industrial goods with the EU to zero by the end of 1999. This exposed Turkish industry and capital to world market competitive imperatives (Burnham 2007, 198). The impact of competitive imperatives on Turkish industry increased as the 2001 crisis began to impinge on Turkey through widening the budget deficit and current account balance. The finance protectionism (securing a transfer of wealth to capital groups through state borrowing policy) of the 1990s could no longer be sustained (Gultekin-Karakas and Ercan 2008, 10-11). This meant that domestic capital groups would have to reorient themselves towards international competitiveness through higher technology and labour productivity. In a 2013 interview, MUSIAD's Machinery Sector Chairman, Bekir Erkus, stated: "We [Turkish industrialists] are no longer insulated from international competition. Tariff-free industrial goods coming from Europe forced us to make productivity gains. To survive and stay profitable within European market, we shifted from the mode of whatever you produce Turkish people buy to the mode of get ready for intense competition".¹⁸⁶

New domestic accumulation imperatives had found policy expression in 'Strategy Reports' of the TUSIAD and 'Development Plans' of the State Planning Organisation. Those reports and plans had special emphasis on the sources of productivity improvements and the strategies to make manufacturing more efficient as part of a broader strategy of facilitating competitiveness and maintaining profitability of Turkish firms under world market competition (TUSIAD 1999, 189-202; DPT 2001b, 3-13; DPT 2007b, 1). For the first time in history the dominant fractions of power bloc seemed to fully realize the crucial role of information and telecommunication technologies in stimulating development and increasing competitiveness faster than in the past (TUSIAD 2002, 13; DPT 2001a, 11). For example, the 2003 Report of TUSIAD argued that Turkey's inadequacy in information and telecommunication technologies had a

¹⁸⁶ Personal Interview with Bekir Erkus, MUSIAD, Head of Machinery Sector Board, 28 February 2013

direct impact on the competitiveness of almost all economic and social fields of activities (TUSIAD 2003c, 67).

Turk Telekom was by far the dominant and most vital player in the information and telecommunication sector in terms of value-added, expenditure and number of subscribers. Turk Telekom was the only fixed-line telephone operator and was partner of one of the four GSM mobile phone operators in Turkey (OECD 2002, 140-141). Turk Telekom's prices were high but its quality was low (DPT 2001a, 11; Akdemir, Basci and Locksley 2003, 20). The OECD basket of international telephone charges as of 2001 shows that Turkey had international charges of around three times the OECD average, both for business and residential calls (OECD 2002, 153). Similarly, three and ten minute local call charges were well above the OECD average (Akdemir, Basci and Locksley 2003, 10-11; Cantekinler 2002, 32). Moreover, the quality of the telecommunications services was not appropriate. Turkey had a high rate of fault incidents on telephone lines throughout the 1990s and early 2000s (OECD 2002, 148). For example, fault rates in Turkey were 55.7 per 100 lines in 2001, whereas the EU members and EU candidate countries' average fault rates were only 7.6 and 29.1 respectively (Akdemir, Basci and Locksley 2003, 11).

The fractions of power bloc perceived the Turk Telekom privatisation as a necessary policy objective to strengthen the Turkish telecommunication sector in particular and support the competitiveness of Turkish firms in general (TUSIAD 2001b, 57-58, Avrupa Birliği Yolunda Bilgi Toplumu). TUSIAD has issued the following statement in relation to Turk Telekom privatisation:

"Private sector must concentrate on the efficiency gains and the efforts of adjusting to global competition. The fulfillment of these targets has many parallels with Turkey's abilities in information and telecommunication technologies. While privatising Turk Telekom, Turkey should also work for enabling each Turkish citizen to access Internet and creating high value-added products and services (TUSIAD 9 May 2002, 1)."

The President of Sabanci Holding, Sakip Sabanci, also emphasized that the government must conclude the privatisation of Turk Telekom as soon as possible

because Turk Telekom was vital for productivity gains.¹⁸⁷ Specifically, large holding groups expected that the Turk Telekom privatisation could provide up to 25 per cent savings in their operational costs and a significant improvement in their business productivity (DPT 2001a, 11, 25).

According to large holding groups, cost saving and productivity gains could not be delivered under state ownership for two reasons (TUSIAD 2001, 125-126). First, the Ministry of Communications had failed to invest for the technological advancement of Turk Telekom (DPT 2001a, 11). As Table 7.3 shows, Turkey's public telecommunication investment weakened considerably in the late 1990s due to mounting debt burdens (OECD 2002, 152). Second, Turk Telekom had hired more workers than was needed for political purposes (Gultekin 2010, 4). As at the end of 2001, Turk Telekom had 69,940 workers on its payroll and the share of personnel expenses reached to 37 per cent of the total operating expenses. The contrast with the OECD countries is stark. Telephone subscribers per employee ratio in Turk Telekom were 26 per cent and 35 per cent lower than Greek Telecom and Spanish Telefonica respectively (Cantekinler 2002, 53; EconStats 2015; Gultekin 2010, 4).

Table 7.3: Public Telecommunication Investment as a Percentage of Revenue

	1986-1988	1989-1991	1992-1994	1995-1997	1998	1999
Turkey	65.2	28.9	31.5	19.5	11.8	19.5
OECD Average	25.8	27.5	25.0	24.6	25.1	26.6

Source: OECD 2002, 152

The Commitment of the AKP Government

The November 2002 elections that ended with a single party majority AKP government was a turning point for the privatisation of Turk Telekom (Oker 2014, 67). The newly elected AKP government became a leading proponent of Turk Telekom privatisation. Three factors were influential in constructing and shaping a strong political commitment of the AKP government to privatisation. Since I presented some of these factors in earlier chapters, I will discuss them only briefly here.

¹⁸⁷ "Sabanci: Telekom ozellestirmesi neyi bekliyor", *Zaman*, 8 Subat 2002; "Sabanci: Ozellestirmeyi yuregine sindiremeyen insanlar var", *Zaman*, 25 Aralik 2003

First, the Turkish power bloc under the leadership of TUSIAD were supporting and demanding the Turk Telekom privatisation. The AKP quickly internalised the common interest of the power bloc towards Turk Telekom privatisation as one of the key government policies (as elaborated on in Chapter 4). Second, the Turkish economy was suffering structural problems such as high debt burden and deteriorated fiscal position. The AKP had to take strong measures strictly to bring fiscal policy back on track and achieve debt reduction, including privatising major SOEs such as Turk Telekom. The AKP believed that only this would underpin the achievement of debt reduction and a healthy fiscal position (IMF 2003a, 2). Third, the AKP's commitment to a Turk Telekom privatisation can also be rethought in relation to its politically vulnerable position within the power relations, particularly during its first term in office. At the domestic and international level, there was a welcoming but cautious attitude towards the AKP's rise to government (Angin and Bedirhanoglu, 149-150). Within such an atmosphere, the AKP had a special incentive to remain loyal to targets of neoliberal agenda and accelerate Turk Telekom privatisations, for this would demonstrate to domestic and international actors (for example, TUSIAD, IMF) that the AKP was the right party to govern Turkey (IMF 2003b, 2) (as elaborated on in Chapter 4).

The reasons for the AKP's commitment to a Turk Telekom privatisation are of less analytical significance than the AKP's political achievements. The goal of substantively altering social relations of power between advocates and opponents of the Turk Telekom privatisation had been largely achieved by the AKP through two methods. The AKP had been established only recently, in August 2001, from the remnants of the Islamist RP, with the support of social and religious conservatives and representatives of Anatolian capital (Marois 2012, 177; Dogan 2009, 304-305). However, the AKP was different from the RP. The AKP represented a transformation of political Islam from being reactionary to being progressive (Cinar 2009, 313). For example, the former deputies of RP and the founders of AKP (for example, Salih Kapusuz, Zeki Ergezer, Abdullah Gul) shifted from being against the Turk Telekom privatisation to being supportive of

it (Telekomcular Dernegi 2011).¹⁸⁸ This meant that one of the two important centers of resistance to the Turk Telekom privatisation in the 1990s had disappeared during the 2000s.

The AKP also succeeded in mitigating the opposition of the second center of resistance of the 1990s –state elites and bureaucrats that continued to function in line with the principles (for example, public interest, national interest) of the pre-neoliberal period and who were opposed to Turk Telekom privatisation. In contrast to Ciller’s DYP coalition (1993 to 1996) and Ecevit’s DSP coalition (1999 to 2002), Erdogan’s AKP government (2002 to present) comprised of ministers that vehemently and consensually supported the Turk Telekom privatisation.¹⁸⁹ While Enis Oksuz (Minister of Transportation) and Kemal Dervis (Minister of Economy) had a number of conflicts over the Turk Telekom privatisation at the time of the DSP coalition, the AKP’s Minister of Transportation, Binali Yildirim, and Minister of Finance, Kemal Unakitan, closely collaborated to conclude the Turk Telekom privatisation.¹⁹⁰ Because of this, state elites and bureaucrats that opposed the Turk Telekom privatisation within the state apparatus now had fewer avenues and resources through which to play government authorities against each other for cancellation of the Turk Telekom privatisation tender.

Another blow to the state elites and bureaucrats (for example, KIGEM) that opposed the Turk Telekom privatisation within the state apparatus came with the AKP’s pro-capital ‘normality’ and ‘economic necessity’ discourses. These discourses were based on the capitalist market rationality, private sector efficiency and economic gains emanating from privatisation. The new dominant discourses strongly favoured the sale of both loss and profit making SOEs as economic necessities without making any reference to public interest or national interest (Bedirhanoglu 2012, 154, 161). What direct impact these discourses had is hard to know but during the AKP era the Constitutional Court and Administrative Courts stopped making references to public and national interest. Instead, the Courts began making references to efficiency implications and

¹⁸⁸ “Haber-Sen: Satin Alan Telekomla Giremeyecek”, *Bianet*, 5 Temmuz 2005; “AKP’liler Anayasa Mahkemesi’ni Savunuyordu”, *HaberSol*, 22 Temmuz 2010

¹⁸⁹ “Hukümet özelleştirmede kararlılığını sürdürmeli”, *Zaman*, 29 Aralık 2003

¹⁹⁰ “Unakitan: Turk Telekom satisindan 8 milyar dolar kazandik”, *Hurriyet*, 28 Mart 2007

economic consequences for rejecting legal challenges of KIGEM and labour unions against Turk Telekom privatisation (Ertugrul 2009, 534-547).

The 2005 Turk Telekom Privatisation Tender

The AKP government and the PA commenced the formal tender process for the privatisation of 55 per cent of Turk Telekom shares with tender announcement on 25 November 2004 (Okten 2006, 240).¹⁹¹ Contrary to previous privatisation tenders of Turk Telekom in 2000 and 2001, thirteen domestic and foreign companies applied and passed the pre-qualification stage to bid for Turk Telekom (Okten 2006, 240). The majority of these companies decided to sign deals of joint or multiple entrance to increase their chance of winning the competitive tender.¹⁹² By the end of the bidding deadline on 24 June 2005, four consortiums submitted financial bids for the Turk Telecom stake. These included: (1) Etisalat Consortium -Turkish Calik Holding, Emirati Etisalat Telecom, Dubai Islamic Bank and Abu Dhabi National Insurance, (2) Koc-Carlyle Consortium -Turkish Koc Holding and American Carlyle Group, (3) Oger Telecoms Consortium -Saudi Oger and Telecom Italia, (4) Turktell Consortium-Turkish companies such as Turkcell, Erdem Holding, Tekofaks and Kurtson Mining (Privatisation Authority Document 2012).¹⁹³

The investors showed strong interest in the Turk Telekom privatisation tender. This is in large part due to the ‘information sharing campaign’ and the subsequent legal changes. Before announcing the Turk Telekom privatisation tender, the PA on the advice of the government launched an ‘information sharing campaign’. In a 2013 interview, the PA Head of Turk Telekom Privatisation Project, Gunden Cinar, told me that ‘the information sharing campaign’ helped to establish relations with potential investors and to understand what they valued and cared most about.¹⁹⁴ Several investors (for example, Telecom Italia, France

¹⁹¹ “Telekom’un yuzde 55’i icin satis sureci basladi”, *Zaman*, 25 Kasim 2004

¹⁹² “Koc-American partnership for Turk Telekom bid”, *Today’s Zaman*, 18 June 2005

¹⁹³ “Etisalat in last two for Turk Telecom stake”, *Arabian Business.com*, 3 July 2005; “Etisalat to bid for stake in Turk Telecom”, *Khaleej Times*, 13 May 2005; “Turk Telekom’da pazarlik 9 milyar dolardan acilacak”, *Referans*, 1 July 2005

¹⁹⁴ Personal Interview with Gunden Cinar, Privatisation Authority (1999-present), Head of Turk Telekom Privatisation Project (2004-2006), 12 Subat 2013.

Telecom, Sabanci Holding, Koc Holding, Kuwait Turk) participated in the campaign, watched presentations on Turk Telekom and exchanged information with the PA (Privatisation Authority 2004). The government and the PA paid attention to feedback received from the investors. First, the government removed the 45 per cent restriction on foreign ownership in Turk Telekom with the enactment of Law 5189 on 16 June 2004 (Privatisation Authority 2012). This legal change encouraged 'strategic alliances', as mentioned above, between domestic and foreign capital by relaxing foreign participation limits. Second, the government increased the minimum share to be offered for block sale from 51 per cent to 55 per cent on October 2004 (Council of Ministers Decision 7931). This amendment that strengthened the stability of control rights for the new owners encouraged participation in the tender.

On 31 June 2005, the PA invited four bidding consortiums to the opening of financial bids. The Turktell Consortium bid \$3.76 billion, the Koc-Carlyle Consortium bid \$4.15 billion, the Etisalat Consortium bid \$4.20 billion and the Oger Telecoms Consortium bid \$5.65 billion. The Turktell and the Koc-Carlyle Consortiums emerged as the two lowest bidders and were eliminated from the tender (Privatisation Authority 2012). The PA thereupon invited the remaining two parties to closed-door negotiations. After several hours of negotiations, the PA Chairman Metin Kilci opened an auction between Etisalat and Oger Telecoms Consortiums with a starting price of \$5.90 billion. At the end of six rounds, Oger Telecoms Consortium submitted the highest bid with \$6.55 billion and won the tender (Privatisation Authority 2005).¹⁹⁵

The Saudi Oger Telecom is the majority partner in the winning Oger Telecoms Consortium. The Saudi Oger is part of the conglomerate founded by assassinated former prime minister of Lebanon Rafiq Hariri. The company is still controlled by Lebanon's Hariri family and owns telecoms networks in South Africa and Lebanon.¹⁹⁶ As well as the Saudi Oger Telecom, significant shareholders in Oger Telecoms Consortium included Telecom Italia. By investing €100 million, Telecom Italia acquired a minority stake in the consortium. Telecom Italia also gave the consortium its 40 percent in AVEA, Turk Telekom's

¹⁹⁵ "Telekom 6.55 milyar dolara Arap-Italyan ortakliginin", *Zaman*, 2 Temmuz 2005

¹⁹⁶ "Oger Telecom scraps \$1.25bn IPO", *Financial Times*, 21 November 2006

mobile GSM operator in which Turk Telekom holds another 40 per cent stake.¹⁹⁷ These complex relations and the price of Turk Telekom triggered public debates to which I will now turn.

Public Debates About Turk Telekom Privatisation

The end of the privatisation tender and the sale of Turk Telekom to Oger Consortium triggered public debates about several issues. It was the national media, telecommunication associations and the sectoral labour unions that were mostly involved in the debates. First, these groups argued that the price paid for Turk Telekom was too low (Telekomcular Dernegi 2006).¹⁹⁸ It is argued that when the net profit of Turk Telekom made in 2004 was calculated, it became clear that the annual profit of the company alone was sufficient to cover the installments of the block sale (Angin and Bedirhanoglu 2012, 156).

Second, although there did not appear to be any concern regarding the nationality of the bidding companies that dominated the sale of Turk Telekom, the aforementioned groups emphasized the secret relationships between Turkish Prime Minister Tayyip Erdogan and his Italian counterpart Silvio Berlusconi, as well as the political character of the Hariri family and its relations with Saudi Arabia. According to Korkut Boratav: "There has always been organic relationships between Hariri family and sovereign powers of Saudi Arabia. The commercial activities of the Hariri family are intertwined with its political objectives. The acquisition of Turk Telekom might be a part of Hariri's and Saudi Arabia's broader strategic goals over Turkey's future".¹⁹⁹ The mainstream scholarship and media of the time was considerably more cautious, avoiding reporting such claims of Boratav. It was the then deputy chairman of CHP (Republican People's Party; *Cumhuriyet Halk Partisi*), Kemal Kilicdaroglu, that brought the secret relationships between Saudi Arabia (Oger), Abdullah Tivnikli (Vice Chairman at Kuveyt Turk Katilim Bankasi since 2001) and the AKP to the

¹⁹⁷ "Oger secures Turk Telekom deal", *ITWeb Telecoms*, 16 November 2005; "Telecom Italia to invest €100 million in Turk Telecom bid", *Privatization Barometer*, 29 June 2005

¹⁹⁸ "Turk Telekomun ozellestirilmesi: Islami sermaye uzerine Italyan sosu", *Sendika.Org*, 3 Temmuz 2005; "Telekom'u neden sattiniz?" *Sendika.Org*, 5 Temmuz 2005; "Yigit Bulut: Bu nasil bir ozellestirme", *Radikal*, 6 Subat 2007

¹⁹⁹ "Telekom ihalesi uzerine cesitlemeler", *Sendika.Org*, 13 Temmuz 2005

attention of the mainstream media and general public in 2008.²⁰⁰ However, this was too late to prevent the Turk Telekom privatisation.

Third, the workers faced an immediate threat of job losses as a result of the Turk Telekom privatisation. The sectoral unions such as Haber-Sen (Press Workers' Trade Union) and Haber-Is (Union of Post Office, Telegraph, Telephone, Radio and Television Workers of Turkey) organized protest movements and demonstrations.²⁰¹ When the AKP government enacted a provision that gave Turk Telekom workers the right to be transferred to other public enterprises, Turk Telekom workers divided and the opposition of Haber-Sen and Haber-Is unions weakened significantly (Angin and Bedirhanoglu 2012, 160).

Yet, those public debates over the price paid, secret relationships and employment losses were not effective. These debates failed to offer any serious resistance to Turk Telekom privatisation due to the commitment of the AKP government and Turkish power bloc. The Council of Ministers, comprising AKP ministers, thus approved the tender on 25 July 2005.

The Legal Process

The legal process of Turk Telekom within the state apparatus included three stages: (1) approval of the President, (2) approval of the Competition Authority - *Rekabet Kurumu*, and (3) approval of the Constitutional Court and the Danistay. Having remembered the previous cancellations of the Constitutional Court during the mid-1990s as well as the intra-state conflicts of the 2000-2001, the AKP government and the PA were very concerned that the opposition inside the state apparatus would halt the conclusion of the Turk Telekom tender.²⁰²

The first stage included the approval of the President of the Republic, Ahmet Necdet Sezer. Prior to becoming President, Sezer had voted against the

²⁰⁰ "Kılıçdaroğlu: Erdoğan'ın müsteşarının Telekom'da ne işi var", *Hurriyet*, 8 Kasım 2008; "Gül ve Erdoğan, Telekom'da etkili oldu mu", *T24*, 8 Kasım 2008; "Ucuncu ortak kim", *Hurriyet*, 7 Kasım 2008; "Bir fotoğraf, bir belge", *Milliyet*, 8 Kasım 2008

²⁰¹ "Turk Telekom'un özelleştirilmesi İzmir'de protesto edildi", *Zaman*, 10 Haziran 2004; "Telekom çalışanları, özelleştirmeyi protesto etti", *Zaman*, 21 Haziran 2005; "Telekom'un özelleştirilmesi Kilis'de protesto edildi", *Zaman*, 25 Haziran 2005

²⁰² Personal Interview with Gunden Cinar, Privatisation Authority (1999-present), Head of Turk Telekom Privatisation Project (2004-2006), 12 Subat 2013. See also "Murat Yetkin: Bir özelleştirmenin ekonomi politikası", *Radikal*, 2 Temmuz 2005.

Turk Telekom privatisation as a Constitutional Court judge.²⁰³ The opponents of the Turk Telekom privatisation, such as Haber-Sen union, expected President Sezer (an appointee of the previous Parliament; in 2000) to reject the tender for the sake of public interest as he had in the past as a Court judge.²⁰⁴ Against all the odds, President Sezer approved the sale.²⁰⁵ It was the pro-privatisation social environment based on 'normality' and 'economic necessity' discourses and pressures of high-ranking AKP and the World Bank officials that probably compelled Sezer to approve the tender. For example, Foreign Minister, Abdullah Gul, said: "Turk Telekom was a transparent privatization, a great success. The highest bidder will get the deal. Otherwise, Turkey's credibility would be damaged and privatization efforts would be disrupted".²⁰⁶

The second stage was the approval of the Competition Authority. Even though some argued that the partnership of Telecom Italia (40 per cent) and Turk Telekom (40 per cent) in Turkey's third largest GSM operator Avea had made Telecom Italia's acquisition of Turk Telekom an act against competition, the Competition Authority approved the tender (Rekabet Kurulu Karari 2005, 105; Yapi Kredi 2005, 3).²⁰⁷ The Authority decided to submit a positive decision due to two factors. The tender specification, in line with the recommendations of the Authority, included written declarations that, after privatisation, new firms in fixed-broadband Internet services and in cable TV services would emerge as a result of the functional separation of Turk Telekom (Rekabet Kurulu Karari 2005, 18). Moreover, the Authority stated that the privatisation of Turk Telekom would bring about technological development and competitive gains for consumers, firms, and the country's economy (Cetin 2014, 105).

The third stage of the legal process included approvals of judicial organs of the state such as the Constitutional Court and Danistay. This stage was long and covered four different lawsuits. First, Haber-Is filed a lawsuit against the

²⁰³ "Sezer'e Telekom'u onayla cagrisi", *Hurriyet*, 28 Temmuz 2005

²⁰⁴ "Turk Telekom ozellestirmesinin durdurulmasi icin Danistay'a dava", *Memurlar.Net*, 25 Temmuz 2005

²⁰⁵ "TT Ozellestirmesine Cankaya'da onay Verdi", *BTDunyasi*, 3 Agustos 2005

²⁰⁶ "Abdullah Gul'un NTV Roportaji", *NTV*, 6 Temmuz 2005; "Turkish Press and Other Media", *Cyprus PIO*, 7 July 2005; "Telekom resmen Oger'in", *Radikal*, 3 Agustos 2005; "Turkey's Largest Privatization: Oger Acquires Turk Telekom For \$6.55 Billion" *Journal of Turkish Weekly*, 2 July 2005

²⁰⁷ "Rekabet Kurulu, Telekom'un ozellestirmesini onayladi", *Zaman*, 21 Temmuz 2005

PTC's (Privatisation Tender Commission) decision at the 13th Chamber of Danistay. The union claimed that the PTC acted against the public interest by selling Turk Telekom at such a cheap price and by allowing foreign companies to exercise control over the company (Danistay 2007a; Danistay 2007b). Second, the TMMOB (Union of Chambers of Turkish Engineers and Architects; *Turkiye Muhendis ve Mimar Odalari Birligi*) filed a lawsuit to the 13th Chamber of Danistay against the Council of Ministers decision that approved the tender on the same grounds mentioned above (TMMOB 2012). Third, Haber-Sen filed a lawsuit to 13th Chamber against the Competition Authority decision that approved the tender. The union contended that if Turk Telekom were transferred to a private company, the public monopoly would turn into a private monopoly, with consequent adverse effects on the consumers (Danistay 2007a; Danistay 2007b). Fourth, the CHP filed a lawsuit to the Constitutional Court against the Law 5189 that removed the 45 per cent restriction on foreign ownership in Turk Telekom. The CHP argued that the removal of the foreign ownership restriction in Turk Telekom acts against the independence and development of the nation (Resmi Gazete 2006).

These legal challenges created a contested process, but with a predictable outcome. The AKP government knew that the judiciary apparatus of the state had undergone ideological and material changes in the post-2001 era because of the pro-capital 'normality' discourse and the commitment of the power bloc to privatisation as an economic necessity. For example, the Minister of Transportation, Binali Yildirim, stated: 'Judicial institutions will definitely approve the sale of Turk Telekom by taking into account the economic necessities and the future of Turkish economy'.²⁰⁸ The expected outcome came on 23 December 2005 when the Constitutional Court rejected CHP's application for the cancellation of Law 5189. The Court contended that the removal of 45 foreign ownership restrictions in Turk Telekom with Law 5189 did not go against the Constitution because the government had already undertaken significant improvements in the institutional structure to ensure protection of the national security and economy, regardless of the nationality of buyers (Resmi

²⁰⁸ "Telekom iptal olmamali", *Radikal*, 26 Eylul 2005

Gazete 2006). Shortly thereafter, the 13th Chamber of Danistay followed by rejecting all three lawsuits filed by the Haber-Is, Haber-Sen and TMMOB.²⁰⁹

In these ways, we have seen that, due to the commitment of the power bloc and the AKP, privatisation has become a dominant paradigm in Turkey. The opponents of privatisation inside the state apparatus were marginalised and the state legal and regulatory apparatus underwent a transformation from national developmentalism (public interest, national interest) to institutionalization of privatisation logic (economic necessity, efficiency, market imperatives).²¹⁰

7.4. Conclusion

From a comparative perspective (compared with Erdemir and Tupras as elaborated on in Chapter 5 and 6), the Turk Telekom privatisation began at a relatively late stage in Turkey's privatisation process in the mid-1990s. However, the Turk Telekom privatisation quickly acquired a more elevated position in Turkey's privatisation process. What we have seen in this chapter is that the advocates and opponents of privatisation struggled to shape the outcome. This led to legal battles, intra-state conflicts and public debates over the Turk Telekom privatisation. It has taken active support of the fractions of Turkish power bloc and dedicated political commitment of the AKP government to secure the completion of the Turk Telekom privatisation.

Initially, we can draw two general analytical lessons. Reaching this point has not been the outcome of the imposition of external actors or the natural consequence of overarching structures of neoliberalism. First, there is a need to emphasize that the privatisation of Turk Telekom was not simply imposed by the external actors or IFIs (compare left-nationalistic privatisation literature as discussed in Chapter 2). The pressures and interventions of IFIs after the 1994 and 1999 crises, as well as during the conflict between Oksuz and Dervis, are of critical importance. The pressures and interventions of IFIs pushed and facilitated the Turk Telekom privatisation; however, before these pressures and interventions can become institutionalized in the Turkish state and society, they

²⁰⁹ "6.5 milyar dolarlık vize", *Radikal*, 10 Subat 2006

²¹⁰ Compare the decisions of the Constitutional Court on 7 July 1994 and 28 February 1996 with the decisions of the Constitutional Court on 23 December 2005.

are modified and contested domestically. As we have seen, despite pressures and interventions of IFIs since 1993, the Turk Telekom privatisation could not be concluded until the key fractions of Turkish power bloc (TUSIAD and MUSIAD) and the AKP government provided active support.

Second, the privatisation of Turk Telekom was not made possible because neoliberalism had made the state or particular institutions of the state (for example, Constitutional Court, Danistay) weak or irrelevant. There has, however, been a radical restructuring of state institutions and practices resulting from the struggles of social classes and changing imperatives of accumulation imperatives. The Turkish state gets stronger particularly against those who resist to privatisation (for example, Constitutional amendments in 1999) while it becomes weaker in negotiating terms and conditions of privatisation tenders with potential buyers (for example, abolishing foreign ownership restriction). The Turkish state is also becoming more conducive to privatisation (for example, internalising efficiency and productivity imperatives, associating privatisation with economic necessities), while it is moving away from the principles of the inward-oriented and planning period (for example, public interest, national interest). In this way, liberal and institutionalist accounts are wrong to see the state and social classes, or accumulation imperatives being external to each other (as shown in Chapter 2).

Chapter 8 –Conclusion

In this chapter, I conclude the thesis by way of three sections. Section 8.1 offers a summary of the key findings and contributions of the thesis. Section 8.2 explores the contemporary importance of the argument, and its three case studies for contemporary capitalism and Turkey's variegated form of neoliberalism today. Section 8.3 then looks at the state of alternatives to the privatisation and sketches out the basis of a more substantial alternative that constitutes a move towards a democratized and socially committed SOE system. The findings of the thesis provide insight into the enormity of such a task.

8.1. Key Findings and Contributions

I began this thesis with a concern for the dynamics behind the acceleration of privatisation in Turkey in the last decade. This concern has grown out of two problematic tendencies that I found in the existing literature. The first problem is that a large part of the literature tends to rely on exogenous (outside-in) dynamics in explaining the acceleration of privatisation –whether expressed as the universal failure of state ownership in mainstream accounts or structural imperatives of over-accumulation and external imposition by IFIs in critical accounts. The second and related problem is that the remaining part of the literature that specifically pays attention to the particular context of Turkey – whether focusing on the agency of Turkish governments and state authorities or legal and institutional frameworks- is unable to explore the class struggle and shifting domestic accumulation strategies underpinning the actions of state authorities and the formation of institutions. As such, privatisation is often erroneously presented as a technical matter (or a set of policy) independent of social relations of power, accumulation and class.

To help overcome the first problem of the literature, one of the theoretical contributions of this thesis has been to locate the acceleration of privatisation within the variegated neoliberalisation processes in Turkey, depending on contextually specific patterns of accumulation and inherited politico-institutional arrangements without losing sight of the wider structural context. I have argued that, although the exogenous factors such as imperatives of over-accumulation

and the pressures of IFIs certainly played their role, there is a need for greater attention to the variegated character of the neoliberalisation process in Turkey. In this way, we can address the question of why the privatisation of SOEs in Turkey is characterized by regular accelerations, decelerations, breaks, about-turns, and hesitations that have taken place since the 1980. These differences occur, despite the almost uninterrupted imperatives of over-accumulation and dictates of external actors. Turk Telekom chapter specifically demonstrated why and how privatisation policy is not simply imposed by the exogenous factors.

This brings us to the second theoretical advance made in this thesis that seeks to overcome the second problem of the literature. This is to establish how the privatisation process in Turkey, as a variegated-specific process related to the wider world market context, is contested and shaped by the actions of the domestic individual and collective class agents, as well as the impact of shifting accumulation strategies on these actions. I have argued that the limited extent and the slow pace of privatisation that did occur in the 1980s and 1990s, among other things, reflected the unwillingness of different fractions of Turkish power bloc (for example, TUSIAD, MUSIAD) to make privatisation the priority option. This decision of the fractions of power bloc made within the variegated neoliberalisation experiment of Turkey that was, at the time, characterized by a lack of competitive imperatives, finance protectionism and intra-bourgeoisie conflicts. The fractions of the Turkish power bloc were unwilling to support the privatisation programme for a variety of reasons, including: (1) the fear that foreign capital would dominate the process as discussed in Erdemir chapter, (2) a reluctance of big holdings to commit large-scale finance when other opportunities were available in financial markets, as elaborated on in the Turk Telekom chapter, (3) the historically comfortable relationship that was enjoyed with the state enterprises when there was limited exposure to world market competitive imperatives, and (4) the conflicts between TUSIAD-based holding groups and Anatolian capital, as we have seen in Petlas, Tupras and electricity distribution privatisations.

In the post-2001 era, the privatisation process accelerated decidedly in Turkey. I have argued that this is because the different fractions of the power bloc managed to establish a contradictory unity towards privatisation under the

leadership of TUSIAD-based holding groups and the representation capacity of the AKP. The variegated trajectory of the post-2001 phase of neoliberalism has generated two patterned effects that provided a favourable context to this contradictory unity and the accompanying acceleration of privatisation. On the one hand, new domestic accumulation strategies that centered on the capacity of domestic capital groups to expand (and compete) internationally and engage in partnership with global capital made privatisation indispensable to the bourgeoisie as a whole. In the eyes of state authorities and fractions of power bloc, privatisation of SOEs constituted an important strategy in which the accumulation strategies had been internally restructured to respond to new competitive imperatives. Privatisation would intensify the discipline and reproduction of labour power to enhance labour productivity. Privatisation would also enable capital groups to exert direct control over input-providing SOEs to ensure cost reduction and quality improvements. This is important because of its potential impact on the profitability and competitiveness of Turkish firms in particular and Turkish economy in general.

On the other hand, new concrete reproduction and profit imperatives made privatisation a preferred option for different fractions of the power bloc and the ruling elites of AKP to institutionalize the conditions for their own prosperity. The TUSIAD-based large holding groups promoted privatisation to further strengthen their overwhelming presence in the Turkish economy and to become international players by targeting large-scale SOEs. The Islamic-influenced Anatolian capital (MUSIAD and TUSKON) perceived relatively smaller SOE privatisations as new and previously unavailable opportunities for long-awaited expansion, with the expectation that AKP would ensure their participation in the privatisation process. The AKP, in return, internalised the general interest of capital and tried to remain loyal to targets of a now global neoliberal agenda (and privatisation) in order to avoid its politically vulnerable position within the domestic power relations.

The third theoretical contribution of this thesis has been to demonstrate that privatisation was not itself a simple policy to implement. Privatisation remained a heavily contested issue inside the Turkish state apparatus and society up to the mid-2000s, despite the post-2000s unity of the power bloc and

the commitment of the AKP. A part of the concrete contribution of the three case study chapters has been to document how the implementation of privatisations were subject to processes of resistance and were confronted with alternative projects formulated by different socio-political forces. The contestation and resistance occurred in different forms. In Erdemir case, domestic private iron-steel companies resisted privatisation by creating excessive debates around the nationality of potential buyers. In Tupras case, Petrol-Is union contested privatisation by opening a legal battle against the Privatisation Authority. In Turk Telekom case, state elites and bureaucrats resisted privatisation by promoting the concepts of public and national interests (as opposed to market logic of privatisation) within the state apparatus.

As I have shown throughout the thesis, it has taken sustained political will and dedicated institutional reforms for the power bloc and AKP (plus substantial external pressure) to support the state authorities' capacity to privatize, as well as mitigate the resistance of the opponents of privatisation inside and outside of the state apparatus.

Comparison of the Findings From the Case Studies

Besides general findings, the thesis shows different results in telecoms from steel and petroleum refinery. This sub-section provides some comparison of the case studies –Erdemir, Tupras, Turk Telekom- by discussing the comparative findings and the way that sectoral features have affected outcomes.

The first case study is Erdemir. Compare to Tupras and Turk Telekom, the different fractions of capitalist class in Turkey had greater difficulty to combine forces to conclude the privatisation of Erdemir in the 2000s. This was the result of a clash between the general interest of capital and the specific interest of private domestic iron-steel companies. Despite general support of the capital to Erdemir privatisation, the preference of private iron and steel companies was to eliminate potential and interested buyers on the grounds of them being foreigners, and as such to protect their historically privileged relationships with Erdemir. The private iron and steel companies thus created excessive debates

around the nationality of potential buyers of Erdemir, which could not be seen in Tupras and Turk Telekom privatisation processes at the same scale.

This shaped the actions of the AKP government. The government played a case-specific role and openly declared that the authorities are not making any distinction between domestic and foreign buyers. In this way, the AKP effectively marginalized the nationalist discourses of domestic iron and steel companies both inside and outside of the state apparatus, thereby paved the way for the privatisation of Erdemir. If the sectoral labour union of Erdemir- Turk Metal- had also developed independent capacity to build collective opposition to the Erdemir privatisation, as the sectoral labour union of the Tupras did, it would be very difficult for the AKP government to ensure the completion of the Erdemir privatisation.

The sectoral features of iron and steel have affected these outcomes in two ways. First, Erdemir had a special incorporation law. In this way, Erdemir is classified as a sort of public-private partnership rather than a conventional state enterprise. This specific characteristic of Erdemir not only constrained the formation of the independent presence of the labour union in the iron-steel sector, but also limited the capacity of popular classes to challenge Erdemir's privatisation on the basis of public interest. Second, unlike petroleum refinery and telecommunications sectors, domestic private capital was directly involved in the iron and steel sector and established several privately owned plants. As such, the iron and steel sector in Turkey developed with the active participation of domestic private capital, which owned private steel plants that were strategically dependent on Erdemir to make business. The specific interest of these private iron and steel companies compelled them to become involved in struggles for shaping the privatisation process of Erdemir. This explains the emergence of conflicts between private iron and steel producers (prioritizing their own specific interest) and the TUSIAD-based large holding groups (prioritizing the general interests of capital and economy) over Erdemir privatisation.

The second case study is Tupras. Contrary to Erdemir, in the post-2001 crisis era, every important fraction of capital consensually supported the privatisation of Tupras. In other words, there was no significant intra-capital

struggle over Tupras privatisation at the time. Instead, Tupras case involved inter-class struggle between capital and Tupras workers (Petrol-Is union), which could not be found in Erdemir and Turk Telekom privatisation processes. The sectoral union of Tupras workers –Petrol Is- organized a significant opposition to Tupras privatisation with media campaigns and a legal battle. The union's opposition to privatisation was based on the protection of national interest and the preservation of public values. As a result, the union effectively succeeded in blocking the privatisation efforts of Tupras between 2003 and 2004 by getting favourable responses from the administrative courts.

The AKP government formulated a distinctive strategy to address the opposition of Petrol-Is in ways differentiated by Tupras' own privatisation process. In practice, the government undertook new institutional and legal reforms to weaken the resistance of Petrol-Is. For example, the incorporation of the 4-C clause into the Privatisation Law (4046) weakened the organization capacity of Petrol-Is to mobilize workers, while the incorporation of the 34-C clause into the Privatisation Law constrained the capacity of the Petrol-Is to utilize the administrative justice system in order to block the privatisation of Tupras.

What were the sectoral features of the petroleum refining industry that have affected these outcomes? The state apparatus (along with foreign capital) were central to the historical development of the petroleum refining in Turkey whereas private domestic capital was hardly involved at all. This sectoral feature was decisive in three ways. First, the absence of the private activity in the petroleum refinery sector precluded the relative exclusion of organized labour. Beign organized relatively away from the private interest, the Petrol-Is union assumed a far greater independent presence (compare with Turk-Metal union in Erdemir) in the privatisation process. Second, strong presence of the state apparatus during the development of the petroleum refinery sector paved the way for the association of the sector with national and public interests. This helped Petrol-Is to resist privatisation on the grounds of national interest and public values. Third, non-existence of private domestic capital's ownership in petroleum refinery sector (as well as Tupras) prevented any major conflicts

erupting between different fractions of capital over maintaining the control rights and institutionalized privileges in Tupras.

The third case is Turk Telekom. Compared to Erdemir and Tupras privatisations that started in the 1987 and 1989 respectively, the privatisation of Turk Telekom started late in 1993. Despite its late start, Turk Telekom remained the highest item on the privatisation agenda of Turkey since the mid-1990s. In this way, Turk Telekom privatisation has gained a symbolic importance as far as Turkey's privatisation programme is concerned.

The interventions and pressures of the external actors were particularly influential in pushing for the privatisation of Turk Telekom at different times. Among the three case studies that I studied in this thesis, the involvement of external actors (for example, the United States, the European Commission, the International Monetary Fund, the World Bank) was the most visible and tangible in the Turk Telekom case. Yet, the pressures of external actors proved to be inadequate to conclude the Turk Telekom privatisation.

The most effective opposition to Turk Telekom privatisation came from the Turkish state apparatus. One important opposition group within the state apparatus involved politicians from social democratic parties and statist bureaucrats of the judiciary apparatus. Another important opposition group within the state included deputies of the Islamist RP (*Refah Partisi*; Welfare Party). The opposition of these groups was based on the notions of independence of Turkish nation, private monopolization, public service character of telecommunications services and unclear roles of the PHC (Privatisation High Commission) and the PA (Privatisation Authority) within the state organization. These state elites and bureaucrats were eager to continue functioning in line with the principles of the previous inward-oriented accumulation regime and refused internalizing neoliberal imperatives. They started a long and complex legal battle to prevent the privatisation of Turk Telekom. The Turkish Parliament, the PA, the Constitutional Court and the Council of the State (*Danistay*) were involved into the legal process. In that sense, Turk Telekom privatisation turned to be an important part of the ongoing neoliberal state restructuring in Turkey.

In this specific context, the AKP government acted, differently from Erdemir and Tupras cases, to mitigate the resistance of state elites and bureaucrats to Turk Telekom privatisation by reproducing a specific form of 'normality' and 'necessity' discourses based on the capitalist market rationality, efficiency, fiscal health and productivity gains. These discourses were also reproduced by the Turkish capital, which finally understood by the early-2000s that information and communication technologies were at the root of new productivity sources.

There are two sectoral features of the telecommunications that have affected these outcomes. The first sectoral feature is the late development of the sector. Unlike iron-steel and petroleum refinery, the telecommunications sector was neglected by the state and capital in Turkey for a long time. The authorities started to mobilize large financial resources and make significant investments into telecommunications only during the 1980s and mid-1990s. This partly explains why the privatisation process of Turk Telekom started later than other major state enterprises. Second, Turk Telekom possessed a monopoly of telecommunications service provision. Turk Telekom was the only fixed-line telephone and Internet operator in Turkey. It was possible to purchase iron-steel or petroleum products from abroad, but it was not possible to purchase telecommunications services from abroad at all. This partly explains why the state elites and bureaucrats, as the supposed guardians of national and public interests, very much involved into the process and resisted privatisation pressures of external actors.

8.2. Contemporary Importance

In this section, I will discuss how privatisations of all forms in general and privatisations of Erdemir, Tupras and Turk Telekom in particular are constitutive of contemporary capitalism and Turkey's variegated form of neoliberalism today. As I discussed in Chapter 2, I see contemporary capitalism as a historically specific phase of capitalism characterized by such profit and competitive imperatives as the internationalization of capital, financialization, commodification of urban space and nature, and new relations of exploitation

between capital and labour. These global tendencies of contemporary capitalism are experienced in each society (in my case Turkey) in an uneven and variegated way, depending on an array of class struggle, domestic accumulation imperatives and politico-institutional factors. I argue that, in parallel with the nature of capitalism and strategies of neoliberalism as a class phenomenon, privatisation implementations are seen as contributed to augmenting competitiveness, profitability, investment expansion and integration into world market within Turkey (remember the conclusions from the case studies end on a seemingly positive note), but these have come at the expense of organized labour and to the benefit of capital.

Positive Developments

I start with the benefits to capital, and supposed benefits to different sectors of the Turkish economy. Take, for example, the case of Erdemir. Privatisation contributed to the expansion and proliferation of financial instruments and their penetration into, and influence over, Erdemir's control and ownership structure. Even non-financial corporations (for example, the world's largest steelmaker, ArcelorMittal) act like financial market players and buy-sell Erdemir shares to support their profitability. In 2008, ArcelorMittal spent \$869 million increasing its stake in Erdemir from 13.7 per cent to 24.99 per cent through a series of transactions with financial institutions including Societe Generale, Nextgen Capital Limited and Credit Suisse.²¹¹ In 2012, ArcelorMittal sold 6.29 per cent of Erdemir shares for \$268 million.²¹² In 2013, ArcelorMittal continued to offload another 6.66 per cent stake in Erdemir for \$267 million.²¹³

The Turk Telekom privatisation, on the other hand, resulted in the deepening internationalization of the Turkish telecommunication sector. As I discussed in Chapter 7, the Saudi Oger Telecom and Italian Telecom Italia formed a consortium and won the Turk Telekom privatisation tender in 2005. This was followed by two more significant developments in the sector towards internationalization of capital. Vodafone, one of the world's leading

²¹¹ "ArcelorMittal lifts Erdemir stake", *Financial Times*, 17 June 2008

²¹² "Erdemir Slims as Mittal Sells Stake: Istanbul Mover", *Bloomberg*, 28 March 2012

²¹³ "ArcelorMittal sells stake in Erdemir for \$267 million", *NDTV Profit*, 8 October 2013

telecommunications groups, purchased Turkey's second biggest mobile telephone operator, Telsim, for \$4.5 billion in December 2005. As of 2006, Telsim holds about 25 per cent of the Turkish market with 9 million customers.²¹⁴ Next, an affiliate of the Qatari-based television network, Al Jazeera, acquired the Turkish satellite network Digiturk in 2015 for a price of \$1.2 billion.²¹⁵

In a similar way, the Tupras case demonstrated how privatisation facilitated the internationalization of foreign capital and the internationalization of domestic capital in the petroleum-refining sector. This was made possible with the partnership of foreign petroleum giant Shell and a major domestic conglomerate Koc Holding in the Tupras privatisation tender in 2005. The process of internationalization continued with the integration of Tupras into the international energy network via significant export and import growth between 2005 and 2012 (remember the conclusion of Chapter 6). The process of internationalization moved one step further with the arrival of new foreign players in the Turkish petroleum-refining sector, introducing competition in a field long dominated by Tupras. For example, SOCAR is on track to build the Star Refinery together with Turkish Turcas Petrol. This is a \$5.7 billion project near Izmit on the Aegean coast that is expected to begin operations in late 2017 with 10 million tons annual capacity.²¹⁶ Likewise, ENI partnered with Turkish Calik holding to finish building the Ceyhan Refinery in the Southern province of Adana with 10.5 million tons annual capacity by 2017 (Investment Support and Promotion Agency Website).

The increasing interest and investment into the petroleum refinery sector is highly linked with one of the most important characteristics of Turkey's variegated form of neoliberalism, which is the orientation towards productive capital accumulation. The energy sector, involving petroleum refinery, is crucial to the current pace and form of productive capital formation in Turkey, which has required an 8 per cent annual increase in energy resources for a 4 percent annual growth rate. Energy imports are also a key source of current account

²¹⁴ "Vodafone buys Turkish mobile firm", *BBC News*, 13 December 2005

²¹⁵ "Al Jazeera sports arm acquires Turkey's Digiturk: statement", *Reuters*, 14 July 2015

²¹⁶ "UPDATE 1-SOCAR Turkey secures financing from Denizbank for Star refinery", *Reuters*, 18 March 2014

deficits (Ercan and Oguz 2015, 118-119). In his opening speech at the World Energy Outlook 2014 Turkey Presentation, TUSIAD President, Haluk Dincer, said: “The electricity, petroleum and gas demand of Turkey will rise around 5-6 per cent annually until 2020. Turkey has to invest \$120 billion in energy sector within ten years” (TUSIAD 2014, 2).

This led to the emergence of new forms of relationships between capital and the state, one of them being the privatisation of state-owned enterprises operating in the energy sector. The privatisation of Tupras, Turkey’s sole petroleum products refiner, in 2005 was a real milestone that paved the way for further privatisations and encouraged private companies to invest more in the energy sector. Subsequently, many electricity distribution companies, power plants (thermal, wind and hydro) and energy sources (for example, coal and lignite mines) have been privatized in the last ten years.

What we have seen here is that privatisation implementations contributed to augmenting competitiveness, profitability, investments and internationalization of the Turkish capital and economy. But these have come at the expense of organized Turkish labour and to the benefit of Turkish capital. New private owners of the privatized companies do not appear to be very sensitive to labour rights, worker safety, working hours, workload, urban space and environment. The mentality of the new private owners is more on profitability and growth at all costs. In that sense, privatisation is associated with intensification and exploitation of labour power, with subcontracting and precarization of the workforce as the unitary force across all sections of the working class, and with the intensification of the discipline of labour power. This, of course, produced a devastating catalogue of social unrest and oppression in Turkey. I will provide more detail to these bigger issues below.

Positive Developments Came at the Expense of Labour: Social Unrest and Oppression

The subcontracting of unskilled iron-steel labour was one of the main factors in reducing costs since Erdemir’s privatisation in 2005. In the pre-privatisation period, the subcontracted labour was nearly non-existent in Erdemir. As of 2014,

out of a total of 8,445 workers in Erdemir, the number of subcontracted workers increased to 1,948.²¹⁷ Those subcontracted workers were not employed directly by Erdemir management, but recruited from the countryside through subcontractors, who led teams of 30 to 60 workers. Besides lower wages and less concern with labour rights, subcontracted workers had to endure long working hours and take more risks to keep their precarious jobs.²¹⁸

As I have argued in the Chapter 5 before, the trade union of Erdemir workers -Turk-Metal- is not a progressive union prior to Erdemir's privatisation. This would not change after the privatisation of Erdemir in 2005. First, Turk-Metal did nothing to oppose the newly introduced subcontracting practice and protect the rights of Erdemir workers. Second, the union even collaborated with the business owner -OYAK won the privatisation tender in 2005- to decrease the wages of Erdemir workers by 35 per cent in 2009.²¹⁹ This meant that Turk-Metal enabled a market-oriented response to the 2008-2009 crisis and pushed the costs of economic adjustment and cost reduction onto the Erdemir's workforce rather than the owners.

The attempts to discipline labour power and the pro-business attitude of Turk-Metal led to a powerful strike wave (the Metal Strike) that shook Turkey's automobile industry in May 2015.²²⁰ One of the primary aims of the Metal Strike was an expulsion of Turk-Metal from factories. Thousands of workers resigned from Turk-Metal in protest at the union's pro-business attitude. Another primary aim of the strike was an increase in wages. The strike began at the Renault factory (a joint venture between French Renault and Turkish OYAK), which is the country's largest car factory. Workers at the Renault factory, rapidly followed by workers at Tofaş, Ford Otosan, and other engineering plants, demanded the same contract to be implemented for themselves, laying down tools and occupying their workplaces, in a direct act of defiance, not only to the management but also to the Türk Metal union. At its height, around 20,000

²¹⁷ "Erdemir, taşeron işçi çalıştırmayacak", *NTV.com.tr*, 30 Ekim 2014

²¹⁸ "Erdemir işçilerin sırtına basarak büyüyor", *Evensel*, 24 Ekim 2014; "Erdemir'de taşeron işçi eylemi", *Cumhuriyet*, 3 Haziran 2014

²¹⁹ "OYAK Erdemir'de maaşları yüzde 35 indirdi", *Zaman*, 23 Nisan 2009

²²⁰ In addition to iron-steel sector, Turk Metal represents workers in the automobile industry.

workers were on strike.²²¹ The Metal Strike was significant in many respects, and will leave a mark on events for many months to come. First, it was one of the longest strikes in Turkish history without any official union leadership at its head.²²² Second, it affected the automobile-manufacturing sector, which has probably the biggest industrial importance in Turkey today.²²³

Next example is the Soma lignite mines. These lignite mines were formerly a state-owned property in the hands of TKİ (Turkish Coal Enterprise; *Türkiye Kömür İşletmeleri*). The AKP government privatized Soma lignite mines in 2005. The parent company of private Soma Holding –Soma Coal- acquired Soma lignite mines. In a 2012 interview, the owner of Soma Coal, Ali Gurkan, stated that they decreased production costs from \$130-140 to \$ 23.80 per ton (Ercan and Oguz 2015, 117). The decreasing production costs did not emanate from the introduction of up-to-date and advanced technology after privatisation. Instead, longer working hours, increasing subcontracting and a precarization of the workforce, as well as less training in safety measures in the privatised Soma mines, were the main factors in reducing costs (Ercan and Oguz 2015, 117-118).

On 13 May 2014, 301 workers were killed in the largest work-related massacre (Soma Massacre) in Turkish labour history. This was the mine explosion that took place in privatized Soma lignite mines (Ercan and Oguz 2015, 116). The Soma Massacre reveals the complex relationship between orientation of Turkish neoliberalism towards productive capital accumulation, privatization of energy companies and the profit-oriented activities of new private owners. What occurred in Soma was not an event on the margins of Turkish neoliberalism, but at the core of its orientation to productive accumulation and accompanying privatisation attempts in the energy sector.

Reconciling Two Contradictory Outcomes

How can these two outcomes of privatisation -positive developments for capital coming at the expense of labour- be reconciled in Turkey? The political party in

²²¹ For detailed information on the strike, see “11 soruda Renault Direnisi: Onlar ne istiyor, patron ne diyor”, *Birgun*, 19 Mayıs 2015

²²² “Metal direnisi Alman basınında”, *Evrensel*, 19 Mayıs 2015

²²³ “Güngör Uras: Mayısta otomotiv ihracatı yüzde 27.4 geriledi”, *Milliyet*, 2 Haziran 2015

power –the AKP- made use of three strategies. First, as I argued in Chapter 7, the AKP popularized ‘pro-capital normality’ and ‘economic necessity’ discourses to favour the sale of SOEs and mitigate the resistance of popular classes against privatisation. These discourses were based on the capitalist market rationality, private sector efficiency and economic gains emanating from privatisation. Second, as I shown in Chapter 4, the AKP enacted legislations that said SOE workers laid off as a result of privatisation would be employed in other state institutions or would be compensated. Third, the government resorted to authoritarian measures to control working and popular classes. This led to rise in the authoritarianism of the AKP.

Yet, reconciling these two outcomes was not straightforward. The Gezi Resistance, a countrywide uprising in which 2.5 million people filled the streets of 79 Turkish cities in the course of a few weeks following 31 May 2013, can be considered as a response to the privatisation, commodification and authoritarianism of the government (Tugal 2013, 148).²²⁴ The various types and fields of social struggles came together in the Gezi Resistance for the first time. First, the public employees and professionals (for example, physicians, nurses, engineers), who experienced the accelerated process of commodification and proletarianization as a result of neoliberal policies in the last ten years, assumed an active position in the Gezi Resistance. Second, the new generation of precarious workers with job insecurity and low wages, partly created by privatisations, were also active in the Gezi Resistance. Third, the environmental groups that were struggling against the construction and privatisation of hydroelectric power plants, the building of a third bridge over the Bosphorus and a gigantic airport on the last remaining forested land in Istanbul supported the Gezi protests.²²⁵ Among these environmental groups were the Black Sea Rebellion (*Karadeniz İsyandadır*) and the Life Instead of a Third Bridge Platform (*Ucuncu Köprü Yerine Yaşam Platformu*) (Ozkaynak et al. 2015, 108). Fourth, many people supported the Gezi Resistance to express their grievances against

²²⁴ The Gezi Resistance happened before the Soma Massacre and the Metal Strike. But the chronological order is not that important. The Gezi Resistance is very crucial because it has combined various types of social struggles in its existence.

²²⁵ “Baris Altintas: Gezi was the beginning of a new era of ecological awareness”, *TodaysZaman*, 31 May 2014

the conservative authoritarianism of the AKP. The mutual point was a demand for democracy.²²⁶

The Gezi Resistance shocked the AKP government, which until then was not really aware of the dimensions of the existing discontent among the population. The government made use of not only police power, but also media power to suppress the Gezi protests. The mainstream media (for example, televisions and newspapers) mostly preferred not to cover the events (Bugra 2014, 103-104). The protestors found other mediums to express their reactions and communicate with each other, namely the Internet and social media. The availability of independent and contradictory information on the Internet and social media was a major breakthrough. However, the government did not stop and exacerbated its attempts to control dissent by curbing freedom of communication and information dissemination via Internet and social media.

Turk Telekom played a vital role in this process. The AKP government privatized 55 per cent stake of Turk Telekom in 2005. But Turk Telekom continues to enjoy a monopoly over the telecommunications infrastructure used by local Internet service providers (Oxford Business Group 2008, 135). This means that Turk Telekom is able to monitor social media networks and block access to certain websites. Despite privatisation, the AKP has influence over the Turk Telekom management apparatus through two means. First, the AKP has close relationships with the Saudi owners of Turk Telekom (as elaborated on in Chapter 7). Second, the state still controls a 30 per cent stake of Turk Telekom and thus is capable of appointing some board members.²²⁷ For example, the Vice Chairman of Turk Telekom board of directors, Kemal Madenoglu, is the Undersecretary of the Turkish Prime Ministry. The independent board member, Yigit Bulut, served as the chief advisor of the Prime Minister during July 2013 and August 2014. Bulut has been serving as chief advisor of the President since August 2014.²²⁸ What we see here is a fusion of the interests of top AKP officials into the Turk Telekom management apparatus. In normal times, this does not

²²⁶ "Ayse Bugra: Turkey: what lies behind the nationwide protests?", *OpenDemocracy*, 6 August 2013.

²²⁷ www.ttinvestorrelations.com

²²⁸ Turk Telekom Group Investor Relations Website, can be accessed at www.ttinvestorrelations.com

prevent Turk Telekom from functioning exactly like a normal private company in line with market freedoms and profit imperatives. But this may, at times, involve specific actions that contradict market logic and that enable AKP officials to control and repress mass demonstrations by tightening control over the Internet, blocking certain websites and banning social media networks (e.g. Twitter, YouTube).

Neither the rise in the authoritarianism nor the emergence of major social events (for example, Gezi Resistance in 2013, Soma Massacre in 2014, Metal Strike in 2015) made privatisation an ill-favored option in Turkey. The government still plans to privatize power plants, ports, national lottery, highways, gas distribution, and state shares in Ziraat Bank, Vakıflar Bank and Turkish Airlines in 2015 and 2016. The government is expecting to generate record privatisation revenues from these transactions.²²⁹

Even the worsening relationships between different fractions of capital and the AKP did not have any significant negative influence over the privatisation plans. In the recent past, TUSIAD criticized the government and Anatolian capital for the arbitrary use of the rule of law, the treatment of the parallel structure within the state, and Turkey's movement further away from the European Union.²³⁰ The maelstrom in Turkish politics that erupted after a high-level graft probe has also revealed the differences and struggles within Anatolian capital: MUSIAD and TUSKON.²³¹ No matter how conflicting the relationships between fractions of capital in general economic and political issues are, the Turkish bourgeoisie is still consensually providing support to privatisations. That commitment reveals how these privatisations are constitutive of Turkey's variegated form of neoliberalism today.

8.3. Alternatives to Privatisation

²²⁹ "Turkish government ramps up privatisation", *Al-Monitor*, 23 October 2014; "Turkey Sales Agency Working Itself Out of a Job, Finance Minister Says", *Bloomberg*, 17 October 2014

²³⁰ "TUSIAD president: Moving further from EU hampers investment in Turkey", *Cihan*, 3 December 2014; "PM Davutoglu boycotts TUSIAD meeting following Erdogan's lead", *Today's Zaman*, 31 Aralık 2014; "Erdogan and prominent business group TUSIAD clash yet again", *Today's Zaman*, 30 December 2014

²³¹ "Mustafa Sonmez: Conflict between Gülen Movement and Turkey's ruling AKP reflected in business world", *Hurriyet Daily News*, 11 January 2014

In different parts of the world including Turkey, the effects of privatisation for workers and popular forces have included lowered wages, rising precarity of work, decreased concern with labor rights and work safety, and intensified commodification of public space and nature. For example, Kate Bayliss argued that 'privatisation has damaged the poor, whether through loss of employment and income, or through exclusion from, or reduced access to, basic services' (2002, 603). Moreover, the ongoing private sector and market failures in the global economy, in the context of one of the most severe crises in the history of capitalist development, have given fresh impetus to international academic and policy discussions on the potential role of state and public enterprises (as opposed to privatisation) in development (Chavez and Torres 2014, 9-10).

These two developments provided favourable ground for the discussion and formulation of alternatives to privatisation. Alternative approach is needed in terms of policy. The dominance of privatization as ultimate goal needs to be dismantled (Bayliss 2011, 97). Yet, many scholars and activists continue to focus almost solely on the 'critique' of privatisation to the neglect of presenting concrete alternatives. As David McDonald rightly pointed out: "The vast majority of scholars critiquing privatisation having little to say about what should replace it" (2015, 119). The critical literature often assert that "another world is possible" and "there must be alternatives to privatisation", but with little detail on what these alternatives are, how alternatives are constructed, and to what extent they are reproducible (McDonald and Ruiters 2012, 1). Opposing privatisation is one thing, but presenting real world alternative is another, and critics of privatisation are often confronted with the objection that they present no substitutes. In that respect, the recently edited book of Lucia Pradella and Thomas Marois (2015), *Polarising Development*, made a unique contribution. The book's guiding theme is straightforward: the direction is meant not to just criticize neoliberalism and privatisation, but also to defend, improve and reproduce alternatives according to a normative logic that breaks with neoliberal market-oriented profit imperatives (9-12).

Drawing on the works of Pradella and Marois (2015) and McDonald and Ruiters (2012), I suggest that there are three alternatives to privatisation, each with its own contribution to the debate: (1) *defending the status quo*, (2) *carrying*

out minor revamping and readjustment on public enterprises (for example, corporatization, commercialization), or (3) *seeking substantive change* towards more democratic and socially-committed public enterprises. As the following analysis suggests, it is unlikely that we can begin to find a route out of the ongoing debates about privatisation that would contribute to social and democratic development of working and popular classes without the third of these alternatives.

First Alternative: Defending the Status Quo

For many opponents of privatisation, particularly labour unions and statist bureaucrats (as elaborated on in Chapters 4-7), the most obvious alternative to privatisation is keeping state-owned and public enterprises as they are. State-owned and public enterprises are presented as alternatives because they are not privately owned. I see this policy proposal as problematic for two reasons.

First, some of the state-owned and public enterprises are facing serious problems such as overemployment, continuous loss making, and manipulation by politicians and capitalists to serve short-term political and economic ends (See World Bank 2004). With few exceptions, SOEs in the poor countries of the South have experienced bureaucratic inefficiency, have experienced losses and have failed to extend universal access to public services (Spronk 2010, 156). For example, I have argued in the Chapter 4 that many SOEs in Turkey were run in such a way that the private sector and politicians were the main economic beneficiaries without any concern on the efficiency and productivity issues. This was made possible by the participation (*istirak*) and duty loss (*gorev zarar*) mechanisms. Nevertheless, we should be careful not to fall victim to the negative rhetoric of neoliberal public sector bashing that identifies every single SOE with inefficiency and losses (McDonald 2015, 122).

Second, even when the state-owned and public enterprises delivered their goods and services with equal (or greater) efficiency than the market as sometimes happens, citizens could do little to affect the actual operation of these state-owned and public enterprises except to grumble about stifling red tape. State managers are in charge but they would not necessarily act as the guardian

of public interest and for the benefit of popular classes. State managers would not always ensure that the standard rights and services associated with citizenship were provided with due haste, and in multiple copies (Albo, Langille and Panitch 1993, 22). In many cases, state-owned and public enterprises – however socially and economically radical at the beginning- tend to be overpowered and subordinated by the strength of hegemonic economic groups (for example, TUSIAD-based holding groups in Turkey) in the absence of democratic control. These hegemonic groups seek to impose their own long-term interests and objectives onto state-owned and public enterprises (Marina-Flores 2015, 154).

As we have seen in Erdemir (as elaborated on in Chapter 5), large domestic holding groups and domestic private iron and steel companies have institutionalized social relations of power within the Erdemir management apparatus since its inception and obtained cheap inputs, special distribution rights, and partnership opportunities at the expense of the general population. Defending these kinds of state-owned and public enterprises is not an acceptable route to developing alternatives. The solution must lie not in simply defending state-owned and public enterprises against privatisation, but in making them more responsive to the demands of workers and popular masses. It seems that the real issue is not more state or less state, but rather a different kind of state.

Second Alternative: Corporatization

At this point, the most vexing question is what to make of ‘corporatized’ services. Corporatization refers to the process of *minor revamping and readjustment* on state-owned enterprises in which the state remains the owner and operator, but which function with a high degree of autonomy (at arm’s length from the state) to reduce political interference, strengthen accountability and avoid loss-making (McDonald 2014, 71-72). The contemporary examples demonstrate that the potential of corporatization to offer adequate and progressive alternative to privatization has weakened by its actual implementation. This is because the most dominant form of corporatization today is that of neoliberal corporatization.

Neoliberally corporatized state-owned enterprises run to varying degrees on commercial principles that often mimic the private sector. These corporatized state-owned enterprises often function using market doctrines, valorizing the exchange rate of a service over its use value, prioritizing financial cost-benefit analysis in decision making, and employing private sector management techniques such as performance-based salaries (McDonald and Ruiters 2012, 4). For example, in post-apartheid South Africa, corporatized state-owned enterprises such as Eskom Electricity and Rand Water have proven themselves to be hyper-commercial entities, cutting off services to millions of low-income households for relatively minor payment infractions, introducing pre-paid meters that limit access to services, and outsourcing tasks to private firms (McDonald 2014, 81). As we see, the potential alternative of corporatization is prone to be subordinated to neoliberal competitive imperatives. As a result, corporatized state-owned enterprises could be aggressively neoliberal in their operations (Marois 2015, 33). Corporatization is the preferred policy option of the World Bank, if not fully privatized. But its potential to offer a potential basis of democratization and social development may be limited.

Third Alternative: Democratic Control and Social Commitment

I suggest that a more substantive strategy towards crafting an alternative to privatization, which does not emphasize profit-imperatives and can instead focus on expanding democratic control within state-owned and public enterprises, is required. Any substantive alternative to privatisation cannot simply modify state-owned and public enterprises but must institutionalize a radically different and democratized ownership and management structure wherein the interests of narrow elites and corporations are subordinated to collective ownership and social developmental goals (that is, general social needs of the population).

Democracy, understood as popular control of state and public enterprises with social equality and open democratic operations, means liberating the state and public enterprises from the control of narrow state and capitalist elites and rolling back the frontiers of market power (McDonald and Ruiters 2012, 14,

158). What is the route forward for state and public enterprise reform that would expand democratic control? According to Marxian scholar Greg Albo (1993, 28), this includes the following:

- Levelling the organizational hierarchy: loosening rigid operating structures, pushing decision-making authority to lower levels, increasing magnitude of voting to majority of workers, multiplying points of citizen access.
- Rights of access of users: creating appeals processes, ombudspersons, and advocacy bodies with real powers of administrative sanction to ensure equality of treatment.

In this way, more egalitarian social structures would be crafted (that is, institutionalized) within the public sector in the interest of the workers-consumers. These workers-consumers can then effectively accomplish their individual and collective rights, preferences and desires provided they articulate them to the fulfillment of general social needs (Marina-Flores 2015, 155). I therefore define the *substantial alternative* as a public enterprises that is not directly linked to the private sector ownership and control, not profit-oriented in its operations, and that it be democratically run by a state or non-state entity (for example, community, workers-consumers) with its orientation towards principles of equality and social citizenship.

What are the potential benefits of alternative public enterprises? To begin with, alternative public enterprises should enhance the physical availability of the services for different social groups (for example, different genders, age groups, races, classes, ethnicities) in an equitable way (McDonald and Ruiters 2012, 25). Next, alternative public enterprises would lead to greater efficiency in the use of human, natural, social and technological resources in such a way that the primary goal is not rapid or unending private accumulation. This does not mean that the service delivered would be in a financially inefficient manner. For example, in Uruguay, the public enterprise ANTEL (National Telecommunications Administration; *Administracion Nacional de*

Telecomunicaciones) is able to compete with large private transnational telecommunication companies (for example, Spanish Telefonica, Mexico-based America Movil), while at the same time supporting connectivity in universities and schools, providing wireless services with various benefits to primary school teachers, contributing to the development of science and innovation through its participation in the *Butia* project, and enabling free access to the Internet for the sake of social inclusion (benefiting more than 100,000 households in a country with a 3 million population benefited in 2013) (Cosse 2014, 172, 175-180). Moreover, alternative public enterprises would enhance participation of workers-consumers and non-governmental organizations in decision-making and implementation of services. Comparative evidence suggests that a greater participation of workers-consumers in day-to-day and strategic decision-making not only expand democratic control but also brings increases in productive and social efficiency (See Fine 1997; Cable and Wilson 1989; Cable and Wilson 1990).

There is nothing automatic, pre-determined, and inevitable about the process of social change. Drawing on this thesis and Poulanzian understanding of the state (mentioned earlier in Chapter 2), but also on recent studies identifying diverse public alternatives to privatisation (See Marois 2015; McDonald 2015; McDonald and Ruiters 2012), I see four necessary if not sufficient strategies for defending and alternating the alternative state and public enterprise structure.

First, the working and popular classes must develop unprecedented capacity to make compromises and establish contradictory unity against privatisation. The thesis presented that privatisation was the result of a powerful combination of support from the state and capitalist classes in Turkey. Privatisation only came after years of contestation and political posturing. It was only when the competing interests of different fractions of capital and state elites were aligned, in the context of global pressures, that privatisation was achieved. Given how difficult it was to get privatisation in place, to affect a change will require a combination of factors on similar scale of power and influence to bring about any alternative. Only a direct political and combined confrontation of the working classes and popular forces (as the capitalist classes did before to promote privatisation) will lead to the defence of public enterprises and innovation that can pave the way for more substantive democratic alternatives

(Marois 2012, 218). The strategizing of resistance to privatisation should be one that depends on the combined capacity of the below actors to act:

1. The SOE workers: the workers within state and public enterprises need to play a leading role in resisting privatisation and formulating alternatives. Any substantive change will need to generate support from within the state and public enterprises as well as from society at large, rather than simply being imposed top-down (Marois 2015, 37).
2. The labour unions: both private and public sector unions should help to organize and empower workers to collectively effect change. This entails democratizing the internal practices of unions that would encourage workers to participate (Albo, Gindin and Panitch 2012, 100; Marois 2015, 37). This also entails establishing intra-union solidarity against privatisation. As I presented in the Chapter 6, one of the key reasons of the failure of the Petrol-Is union to prevent Tupras privatisation was the inactivity and inability of the TURK-IS labour confederation to assume a coordination role between different labour unions.²³²
3. The NGOs: especially the Turk Telekom case demonstrated that NGOs such as KIGEM (Center for Development of Public Management; *Kamu Isletmeciligini Gelistirme Merkezi*) could play an important role to challenge the privatisation efforts of the power bloc. The activists of KIGEM had strong representation within the state apparatus.
4. The new working class: the protest against privatisation must be understood within the context of neoliberal economic restructuring (Spronk 2007, 8). Labour unions and SOE workers are no longer able to lead the process of radical change on their own. Neoliberal policies

²³² Demet Dinler (2012) argues that strengthening workers' representation by merging same-sector unions is also highly unlikely given the deeply embedded historical and ideological cleavages between the confederations. Inter-union rivalry is strong, not only between trade unions from different confederations, but also from within the same confederation organising the same sector.

advanced under AKP rule disorganized the working class and weakened the power of labour unions (Ercan and Oguz 2015, 114). But neoliberal restructuring not only undermined labour unions but also created new subjectivities of social movements –new working class (Chang 2015, 190; Spronk 2007, 8). The new working class includes urban workers engaging in precarious forms of work, dispossessed people and the rural poor. These groups were particularly active in the struggles for alternatives during the Gezi Park Resistance.

Second, having combined forces and built a social basis of support, the social forces resisting against privatisation must act to institutionalize their visions and interests in the branches or apparatuses of the state. In so doing, they wish to aim at forming centers of opposition to privatisation within the state apparatus. This would be beneficial in two senses. On the one hand, these centers of resistance (for example, formed around the Constitutional Court, Council of the State) would undermine the efforts of the dominant classes to undertake new institutional reforms that support the capitalist class' capacity to participate in the privatisation processes (or to mitigate the collective resistance of dominated classes). On the other hand, the social forces resisting privatisation would formulate alternative projects (for example, democratic control of SOEs, socially committed SOEs, public ownership) inside these centers of resistance to prevent the privatisation logic of the pro-privatisation groups to capture the state apparatus as a whole. In this way, (1) the state would become weaker against those who resist privatisation, (2) the state would get stronger in negotiating terms and conditions of privatisation tenders, and (3) the legal and institutional framework of the state would become less conducive to privatisation.

Third, the social forces resisting against privatisation must also act to shape the opposition and ruling political parties. The Erdemir, Tupras and Turk Telekom case studies demonstrated two points in that regard. During the 1990s nearly every successful struggles against privatisation involved elements from the opposition parties. For example, the DYP and SHP parliamentarians contested the privatisation of Tupras in 1989-1990 through legal means; the RP

politicians campaigned to keep Tupras state owned in 1994-1997; the SHP, DSP, RP and MHP politicians showed strong resistance to Turk Telekom privatisation between 1994 and 2001. During the 2000s different components of the ruling party (AKP) provided unified position on privatisation and acted together to complete the privatisation tenders. These two points mean that a strategic and conjunctural alliance with the progressive elements (for example, a group of anti-privatisation politicians) from the opposition parties and a political movement to try to break the unity of ruling party over privatisation would provide advantages to the struggles against privatisation.²³³

Fourth, the three case studies of this thesis demonstrated that the strategizing of resistance to privatisation must move beyond merely legislative-constitutional-based defence. If the legislative-constitutional based defence is pursued without building a social basis of support (as KIGEM did in the 1990s in relation to Turk Telekom privatisation), this strategy would suddenly reach its limits as soon as the privatisation advocates and committed governments subsequently make institutional reforms to eliminate legal barriers (Marois and Gungen 2013, 19). The strategizing of resistance to privatisation must also transcend debates around the nationality of potential buyers. These nationality debates weaken the struggle against privatisation in the longer term. This is because the popularity of nationality debates either force popular masses to unwillingly accept a national buyer as a new owner of state enterprises or give advantages to capital groups (most probably national capital) that mobilize strategies around these discourses (as happened in the Erdemir case). Instead, the strategizing of resistance to privatisation should be one that depends on the capacities of the workers and popular forces to act independently, and pushes for substantial alternatives.

In formulating and defending alternatives, we should also be aware of the challenges ahead. As Ben Fine and Dave Hall remind us, the structural power of neoliberalism simply cannot be avoided. The systemic hold of neoliberalism help explain why proposals for public sector alternatives have been so thin on the

²³³ In a personal interview on 12th February 2013, Oguz Oyan (MP of CHP, 2002-present) noted that although the CHP (Republican People's Party) were heavily influenced by the neoliberal ideology and privatisation discourses, there are a handful of CHP MPs who are keen to protect public ownership.

ground and also why those that do emerge (for example, neoliberal corporatization) concerned with commercial viability than meeting wider social goals (2012, 45). Neoliberalism is not just marked by the systemic hold favouring the private over the public sector, but this has itself been institutionalized within political orientations and privileges of governments and states (Fine and Hall 2012, 61).

Annexes

Annex 1 –A List of the Newspapers Reviewed

1-Cumhuriyet Gazetesi (1984-2012): 177 Articles
Ideological Orientation: center-left and nationalist

2-Zaman Gazetesi (1994-2012): 933 Articles
Ideological Orientation: conservative and moderate Islamic, owned by Fettullah Gulen movement and crystallized the interests of Anatolian capital

3-Radikal (and Referans) Gazetesi (2001-2012): 452 Articles
Ideological Orientation: liberal, owned by Dogan Holding and mostly reflects the interests of TUSIAD-based capital groups

4-Milliyet Gazetesi (2001-2012): 295 Articles
Ideological Orientation: populist

5-Bianet (2001-2009): 26 Articles
Ideological Orientation: left-wing and critical

6-Sendika.Org (2003-2012): 45 Articles
Ideological Orientation: left-wing and critical

7-Birgun Gazetesi (2004-2008): 10 Articles
Ideological Orientation: left-wing and critical

Annex 2 –Categories for Newspaper Review

A. Themes

- 1-External influence
- 2-Methods of privatisation
- 3-Obstacles to privatisation
- 4-Resistance to privatisation
- 5-Debates whether to sell state enterprises to foreigners
- 6-Price issues
- 7-Legal issues
- 8-Corruption issues
- 9-Support for privatisation
- 10-Case studies: Erdemir, Tupras, TT

B. Units of Analysis

- 1-Politicians
- 2-Political parties
- 3-Bureaucrats
- 4-State Institutions
- 5-Capitalists
- 6-Business Associations
- 7-Journalists
- 8-Academics
- 9-Labour Unions
- 10-IFIs: IMF, WB

Annex 3 -A List of the Interviews Carried Out

	Name (in alphabetical order)	Affiliation	Date of Interview
1	Ali Guner Tekin	Privatization Authority, Department Head of Advisory Services (2008-present)	8 February 2013
2	Ali Yalcin	Zorlu Holding, Director of Strategy and Business Development (2011-present)	2 February 2013
3	Alper Bakdur	Ministry of Development, Department Head of Financial Markets (2010-2014)	16 October 2012
4	Arzu Atik	Kolin Group, Director of Strategy and Planning (2012-present)	8 February 2013
5	Askin Suzuk	Petrol-Is Union, Research Expert (2004-present)	12 October 2012
6	Ayfer Egilmez	Petrol-Is Union, Former Secretary of Research Unit; Former Activist of KIGEM	1 February 2013
7	Ayhan Sarisu	Privatization Authority, Head of Project Department 4 (1995-present)	18 October 2012
8	Bekir Erkus	MUSIAD, Head of Machinery Sectoral Committee (2012-2014)	30 January 2013
9	Cengiz Ton	Ministry of Industry and Trade, Department Manager of European Union and Foreign Affairs (2000-2011)	20 October 2012
10	Emin Dedeoglu	Undersecretariat of Treasury, Directorate General for Public Finance (1997-1999)	7 February 2013
11	Enis Oksuz	Minister of Transportation (1999-2001)	17 October 2012
12	Erdogan Ozotun	Istanbul Chamber of Industry, Former Advisor	28 January 2013
13	Erhan Usta	Ministry of Development, Deputy Secretary (2009-2015)	19 October 2012
14	Filiz Ipek Yikilmaz	Privatization Authority, Head of Project Evaluation and Preparations Department (2012-present)	2 January 2013
15	Fuat Ercan	Marmara University, Professor of Economics	3 October 2012
16	Gaye Yilmaz	Bogazici University, Lecturer	10 October 2012
17	Gokhan Candogan	Petrol-Is Union's Attorney (2004-2006)	22 October 2012
18	Gunden Cinar	Privatization Authority, Head of Project Department 2 (2004-present)	12 February 2013
19	Ibrahim Dogangul	Petrol-Is Union, General Secretary of Financial Affairs (2007-2015)	12 October 2012
20	Irfan Kaygisiz	Birlesik Metal-Is Union, Researcher	4 October 2012

21	Izzettin Onder	Istanbul University, Professor of Economics; Former Istanbul Representative of KIGEM	5 February 2013
22	Kemal Ozden	Arcelor Steel, Advisor (2003-2005); Erdemir, Chief Advisor of Corporate Strategy (2011-2014)	29 January 2013
23	Mark Lewis	IMF Head of Turkey (2010-2014)	15 October 2012
24	Mehmet Akkaya	Isci Partisi, Member of Central Committee	17 October 2012
25	Mustafa Albayrak	MUSIAD, Head of Energy and Environment Sectoral Committee (2012-2014)	1 February 2013
26	Mustafa Cikrikcioglu	Turkish Exporters Assembly, Deputy Chairman (2007-present)	2 February 2013
27	Nazmi Irgat	Turk-Is Labour Confederation, Organization Secretary (2011-2013); Teksif Union, President (2007-present)	11 February 2013
28	Nur Jale Ece	Privatization Authority, Expert	19 October 2012
29	Oguz Oyan	Deputy of CHP (2002-present)	12 February 2013
30	Ramazan Orkan	Privatization Authority, Head of Strategy Development Department	8 February 2013
31	Serdar Kocturk	Kibar Holding, Board Member (2014-present), Managing Director of Kibar Foreign Trade (2012-present)	6 February 2013
32	Sungur Savran	Scholar and Academic	9 October 2012
33	Yesim Kurna	Privatization Authority, Head of Project Department 5 (2008-present)	13 February 2013
34	Yildirim Koc	Isci Partisi, Member of Central Committee	17 October 2012
35	Yilmaz Comert	Milangaz-Demiroren Holding, Board Member (2006-present)	30 January 2013
36	Yuksel Yalova	Minister of State Responsible for Privatization (1999-2002)	16 October 2012
37	Zafer Tekbudak	Turk Telekom, Deputy General Manager (2000-2001)	18 October 2012

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Cumhuriyet Senatosu Tutanak Dergisi, 7.2.1967, Birlesim: 32, Oturum: 3.

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